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INTRODUCTION

This report describes both the ongoing activities of the District of Columbia Housing Authority (DCHA) over the past year from October 1, 2004 thru September 30, 2005 (Fiscal Year 2005) and the innovative initiatives that DCHA has undertaken using MTW flexibility. The initiatives reported on in this report were first described in DCHA's Moving to Work/Creative Living Solutions (MTW/CLS) Plan for Fiscal Year 2005, presented to HUD in August 2004.

During the past fiscal year, DCHA sustained its mission of managing public housing units, administering vouchers, expanding affordable housing opportunities and supporting resident empowerment efforts. While the year was filled with multiple challenges, it also contained a variety of opportunities that allowed DCHA to face increasing affordable housing needs within a city with an aggressive housing market. Much like its peers across the nation, DCHA sought creative responses to the changing affordable housing environment and the reality of shrinking resources. The DCHA staff has demonstrated remarkable resiliency as both programmatic and administrative changes were implemented to reduce costs. With solid leadership and the commitment and sacrifices of a talented staff, DCHA stabilized the level of its housing assistance programs without undue harm to its existing clients.

Despite this challenge, DCHA realized a number of achievements during FY 2005, which further solidifies the housing authority's status as a leader in the industry. Highlights of these achievements include:

- a. Maintenance of quality property management at its public housing developments, a precious affordable housing resource in the District of Columbia,
- b. Completion of 326 (cumulative) ADA/504 units,
- c. Closing on 209 homeownership (cumulative) units through a variety of assistance programs,
- d. Sponsorship of DCHA's second Annual Resident Summit,
- e. Facilitation of Resident Council election,
- f. Re-occupancy at Henson Ridge, a HOPE VI site, with a 75% return rate of former residents,
- g. Receipt of \$80 million in bond proceeds for the modernization of conventional public housing properties, and
- h. Construction and complete occupancy of the senior building at Capitol Gateway, a HOPE VI site.

DCHA is the largest landlord in the District of Columbia. This fact, coupled with the housing authority's location in the nation's capitol, places a unique value on our efforts. Continuously in the spotlight, DCHA has assumed a leadership role, both locally and federally, by carrying out its mission with a quiet confidence and commitment to excellence.

Moving to Work as a Valuable Tool

Each of the objectives reported as completed in this report advance at least one of the four objectives of DCHA's MTW Plan found in DCHA' MTW Agreement. The four objectives are as follows:

- Develop enhanced housing opportunities;
- Sustain quality property management;
- Achieve effective customer support services; and
- Organize efficient businesslike operating systems.

These four objectives are a summary of the ten objectives of DCHA's two year strategic plan. The initiatives proposed in the CLS Plan and reported on in the CLS Report are just some of the many avenues and tools that DCHA is using to achieve the goals and objectives of the DCHA Strategic Plan. This report covers the policies and accomplishments directly related to MTW/CLS activities. Other planning tools that DCHA uses alongside with the CLS Plan to guide the implementation of its strategic plan include a comprehensive Business Plan and a communications plan. The objectives and the tasks of the strategic plan are updated every two years, the business plan, the communications plan and the CLS Plan are updated annually.

Content of this Report

The report is presented in three parts. The first part presents much of the data and information required by Attachment B of DCHA's MTW Agreement with HUD. The second section reports on the Initiatives proposed in the FY 2005 Creative Living Solutions Plan that were completed during FY 2005. The second section is organized according to DCHA's MTW/CLS objectives. The third section is the Appendices that complete the requirements of the MTW Agreement, including data required by Attachment B of the Agreement. Appendix B of the third section is a table presenting DCHA's progress on the Benchmarks incorporated in DCHA's MTW Agreement.

Included in the Appendices as Appendix A is a chart that cross references the CLS Initiatives completed during FY 2005 with the accompanying housing statute or HUD regulation that have been modified, consistent with the terms in DCHA's MTW Agreement. These modifications have been codified in local regulations that successfully satisfied the local regulatory adoption process.

The completed Initiatives presented in this report were completed in consultation with the residents of DCHA's communities, the local organizations committed to helping improve the lives of low income families, local elected and appointed officials, DCHA staff and concerned members of the general public. After the exploration and consultation process, the proposed changes that were carried through to implementation were adopted through the District of Columbia rulemaking process, with final adoption by the DCHA Board of Commissioners.

DCHA appreciates the advice, hard work and commitment of all the participants in the process of examining what we do and devising policies and processes that can help us do it better. The completed Initiatives that result from these efforts would not have been possible without the contributions from our clients, advocacy groups and all other stakeholders, not the least of which are DCHA employees responsible for the day-to-day success of the agency in achieving its mission.

PART I: OVERVIEW OF ACTIVITIES AND ISSUES

This section of the plan is organized according to the reporting requirements of Attachment B of DCHA's MTW Agreement with HUD. It provides the data, narrative and discussion required by the Agreement.

I. Households Served

Overall, DCHA has achieved a net increase in total families served, exceeding our MTW benchmark for the number of families served by 4% from 16,080 in FY 2004 to 16,695 in FY 2005. Decreased voucher resources, though, had a direct impact as DCHA was forced to reduce, via attrition, the actual number of leased vouchers in an effort to support the costs associated with leased vouchers. Although still above the benchmark figures, the number of families served has decreased compared to the number of families served in the previous year. There was also a modest reduction in the number of public housing units available to serve families as major redevelopment projects got underway and DCHA began its \$80 million, bond-supported modernization efforts.

One key fact that is not readily captured in the data below is the extent to which DCHA has been able to expand opportunities for low and moderate income families through other affordable housing methods. This includes units built in partnership with private developers. During FY 2003 to FY 2005, DCHA and its partners constructed a total of 555 LIHTC (tax credit) and Section 202 units. The housing authority has also been a partner in the construction of affordable homeownership sites. Fifty-three (53) units will be built in partnership with Habitat for Humanity at the "Deanwood" site located in Southeast Washington, and an additional 147 low and moderate homeownership units were constructed at the award winning Dupont Commons in partnership with a coalition of faith-based organizations and Enterprise.

Public Housing Families

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Projected*					***************************************			
	7,203	7,508	7,000					
Actual								
	7,203	7,258	7,120					

HCVP Recipients

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Projected	8,680	9,300	9,643					
Actual	9,249	9,908	9,575					***************************************

[&]quot;Projected" data reflects the number anticipated to be served by the end of the fiscal year.

Total Households Served

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Projected	15,883	16,808	16,643					
Actual	16,452	17,166	16,695					

Total Households Served: By Bedroom Size

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
0 BR	2,255	2,956	2,563					
1 BR	3,592	3,626	3,531			Antonial Market		
2 BR	5,193	5,196	4,992					
3 BR	3,857	3,767	3,796					
4 BR	1,177	1,204	1,327					
5 BR	343	370	417					
6 BR	35	57	70					
TOTAL	16,452	17,166	16,695			1		

Total Households Served: by Household Type

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Non-elderly/non- disabled	9,683	9,732	10,158					
Elderly/non- disabled	2,140	2,249	2,476					
Disabled	4,629	5,185	5,743 [†]					
Other	-	**						
TOTAL	16,452	17,166	18,377			***************************************	AND	

[†] This number reflects the individuals in households who have self-identified as being disabled. DCHA provides special need services, such as reasonable accommodations or UFAS units, when any member of the family on the lease is disabled. Accordingly, the total households served number is higher because it includes individual counts of disabled household members rather than total household numbers only.

Total Households Served: By Income Group

			220 020					
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
<30% AMI	15,465	15,869	15,432					
30%-50% AMI	926	1,187	1,153					
50%-80% AMI	60	105	104					
>80% AMI	1	5	6					
TOTAL	16,452	17,166	16,695					

Total Households Served: By Race

	End of FY	End of	End of	End of	End of	End of	End of	End of
	·03	FY '04	FY '05	FY '06	FY '07	FY '08	FY '09	FY '10
Asian/Pacific			-					
Islander	48	53	51					
African American	15,829	16,643	16,185					
Native American /Hawaiian	7	27	28					
Caucasian	326	369	362					
Other	242	74	68	and and the form of the form o				
TOTAL	16,452	17,166	16,695					

Total Households Served: By Ethnicity

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Hispanic	339	350	413					
Non-Hispanic	16,113	16,816	16,282					
TOTAL	16,452	17,166	16,695					

Changes in Tenant Characteristics

DCHA's tenant characteristics have remained fairly constant over the past year. The percentage of African Americans has remained at approximately 97% of the households served while the families of other races served by DCHA have increased slightly in real terms. The percentage of families with incomes less than 30% of median has remained 92% of households served in FY 2005. The number of individuals who are self-identified as disabled has increased as DCHA has added over 300 UFAS units to the inventory, and made reasonable accommodations for existing public housing clients. Between FY 2004 and FY 2005, the number of non-disabled elderly has increased by 10% from 2,249 in FY 2004 to 2,476 in FY 2005.

Number and characteristics of households on Waiting Lists

Households on Waiting List by Housing Type

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Public Housing	20,492	26,458	27,622					
HCVP	30,876	40,884	44,500					

Households on Waiting List by Bedroom Size: Public Housing

TTANDCHOIN	douseholds on waiting List by bedroom Size: Public Housing													
	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10						
0 BR	7,011	6,367	6,450				-							
1 BR	3,363	6,636	7,535											
2 BR	5,502	7,453	7,730											
3 BR	3,485	4,667	4,580											
4 BR	846	1,088	1,118											
5 BR	141	119	95											
6 BR	30	25	19											
6+ BR	114	103	95											
TOTAL	20,492	26,458	27,622			APPRIAMENTAL PRINCIPAL PRI								

Households on Waiting List by Income Group: Public Housing

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
<30% AMI	20,077	25,971	27,244					
30%-50% AMI	357	421	318					
50%-80% AMI	13	23	20					
>80% AMI	45	43	40					
TOTAL	20,492	26,458	27,622		**************************************			

Households on Waiting List by Income Group: HCVP

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
<30% AMI	30,164	39,951	43,659					
30%-50% AMI	622	821	739					
50%-80% AMI	29	48	39					
>80% AMI	61	64	63					
TOTAL	30,876	40,884	44,500					

Households on Waiting List by Household Type: Public Housing

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Non-elderly /non-disabled	18,340	23,320	24,269					
Elderly/ non- disabled	1,133	1,343	1,051					
Disabled	969	1,751	2,251					
Other	50	64	51					
TOTAL	20,492	26,458	27,622					

Households on Waiting List by Household Type: HCVP

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Non-elderly/ non-disabled	26,304	34,103	37,142					
Elderly/non- disabled	2,080	2,881	2,690					
Disabled	2,422	3,825	4,668					*****
Other	70	75	-					
TOTAL	30,876	40,884	44,500					

Households on Waiting List by Race: Public Housing

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Asian/ Pacific Islander	111	185	140					
African American	19,780	25,505	26,653					
Native American /Alaskan Native	59	69	65					
Caucasian	465	640	672					
Other	77	59	92					
TOTAL	20,492	6,458	27,622					

Households on Waiting List by Ethnicity: Public Housing

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Hispanic	700	412	542					
Non-Hispanic	19,792	24,609	27,080					
TOTAL	20,492	26,458	27,622				un de Antonio de Para	

Households on Waiting List by Race: HCVP

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Asian/Pacific Islander	154	263	231					ALL DESCRIPTION OF THE PROPERTY OF THE PROPERT
African American	29,722	39,335	42,803					
Native American /Alaskan Native	90	100	164					
Caucasian	769	1,070	1,187					
Other	141	116	115					
TOTAL	30,876	40,884	44,500					

Households on Waiting List by Ethnicity: HCVP

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Hispanic	992	664	895					
Non-Hispanic	29,884	40,220	43,605					
TOTAL	30,876	40,884	44,500					

Changes in Waiting List Numbers and Characteristics

While the characteristics of families on the waiting list have remained substantially the same, not only has the number of families on both the HVCP and the public housing waiting lists increased in the past year, the rate at which the numbers have grown has also been consistently increasing over the past three years. The waiting list has increased by nearly 9% between FY 2004 and FY 2005.

Discussion

DCHA attributes the increasing rate of growth in the waiting lists for both public housing and HCVP to the increasing need for affordable housing brought on by the rapid and astronomical rise in housing prices in the District of Columbia metropolitan area. The local housing market has exacerbated the gentrification of many traditional low and moderate income communities within the city's core. The 2005 edition of the report, "Housing in the Nation's Capital", produced by the Fannie Mae Foundation, states that, "Between 2003 and 2004, average rents in large multifamily buildings in the city increased nearly twice as fast as in the region as a whole. A substantial number of rental properties that have long provided affordable shelter for low- and moderate-income residents are being sold to new investors, renovated as luxury housing or converted to condominiums." Additionally, the share of District renters who are severely cost burdened increased to 23 percent from 18 percent. The growth rate of DCHA's waiting list is reflective of these market pressures and the limitations in housing resources available to actually address the needs of the 40,000 families on the lists.

During FY 2005, DCHA also concluded its review of the current procedural operations of its Client Placement Division, which manages DCHA's housing application process. DCHA's application process is carefully examined and movement on the list is determined by preferences and the date/time of incoming applications. While DCHA has an open waiting list, only a small percentage of families on the public housing list have been assisted during the past year. Additionally, no families have been pulled from the voucher list for most of FY 2005 as the cost of housing escalated and subsidy resources have not kept pace with actual housing rental costs.

In light of this, DCHA is planning to put into place new management protocols for the waiting list. The new process is called the "Admissions Intake Management System" or AIMS. Under AIMS, DCHA will accept applications based on the availability of public housing resources. For instance, the current need for two and three bedroom units far exceeds availability and units of these sizes experience a much slower turnover. A majority of the households now on the waiting list who need these units will not possibly be housed in the next year or more. In response, DCHA may suspend the receipt of new applications from families needing units of these sizes.

In contrast, and in order to maintain a steady pool of qualified applicants, DCHA may continue to accept new applications for individuals and families needing either

elderly/disabled units or units with larger bedroom sizes. DCHA intends to finalize its review of this issue and potential new waiting list protocols during the second quarter of FY 2006.

II. Occupancy Policies

Changes in concentration of lower income HCVP/Section 8 participants

For the past five years, DCHA has had in place several tools to encourage and support HCVP participants in their efforts to choose homes in neighborhoods with lower concentrations of poverty. These efforts include:

- Conducting outreach to landlords in low poverty areas;
- Structuring briefing sessions to fully inform participants about the benefits and availability of housing in low poverty areas and the means to get assistance to look for housing in those areas;
- Providing information to participants on availability of specific units in low poverty areas.
- Having a HCVP staff person dedicated to assisting residents in leasing in desirable neighborhoods and in maintaining a successful tenancy;
- Using MTW flexibility to develop methods to overcome barriers to renting in low poverty areas.

The success of these efforts in achieving the goal to reduce the number of HCVP participants living in low rent areas has resulted in rapidly increasing costs to the program.

Changes in concentration of lower income public housing residents

DCHA does not have any properties with a large number of families with relatively higher incomes, except in HOPE VI properties where explicit policies have been established to market to and recruit families with a wide-range of incomes. The majority of families in each DCHA property have incomes substantially below 30% of the Area Median Income (AMI). Many DCHA properties have historically been located in low income neighborhoods. However, because of the rapidly increasing demand for homes in the District of Columbia, many of the neighborhoods surrounding DCHA properties have rising income levels. This is leading to a greater mix of incomes in neighborhoods that include public housing properties.

III. Changes in the Housing Stock

Number of Public Housing units in inventory

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Projected	9,219	8,807	7,000					
Actual	9,219	8,607	8,013*					

^{*}This number includes the vacant senior units at East Capitol that are a part of the Capitol Gateway HOPE VI site.

Number of Vouchers in inventory

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Projected	9,355	10,800	10,800					
Actual	9,355	10,877	10,978					

Discussion

DCHA's public housing inventory is undergoing the projected temporary decline anticipated for FY 2004 and FY 2005. FY 2005 saw the demolition of XX units at the Capper/Carrollsburg and Capitol Gateway HOPE VI sites. DCHA has also begun its bond-supported modernization activities.

In the past year, the sources of additional vouchers have been limited to Opt-out and other tenant protection vouchers resulting from pre-payment or expiring project-based subsidy contracts. Although the actual number of vouchers has increased slightly during FY '05, the effective number of vouchers available has decreased due to limited HUD funding not keeping pace with actual HAP costs.

Homeownership

DCHA has a very active and successful homeownership program that utilities a medley of federal and local tools to assist low and moderate families achieve the American Dream. In FY 2005, DCHA exceeded its benchmark of providing homeownership opportunities to a cumulative of 150 households. Between FY 2003 and FY 2005, DCHA assisted 209 households in achieving homeownership through the 5(h) and HOPE VI programs, with local homeownership assistance programs, and with the voucher program. Given local market pressures, there is a strong demand for DCHA's homeownership efforts.

IV. Sources and Amounts of Funding

The tables in this section, Sources and Amounts of Funding and the following section, Uses of Funds, present estimates of the total funds received and expended in FY 2005. The tables presented below are estimates only. HUD will be provided with the final audited FY 2005 numbers upon completion of DCHA's independent audit.

Planned versus actual funding amounts, FY 2005 unaudited Sources

	Projected Amount	Actual Amount
Classification		
Low Rent Program	\$66,000,000	\$67,619,110
Low Rent Program Reserves	\$0	0.00
HCVP	135,400,000	136,028,052.00
Capital Fund/CGP	22,000,000	15,097,908.00
HOPE VI Program & other Dev. Grants	25,000,000	16,570,355.00
Misc. Grants	10,000,000	4,217,337.00
Proceeds from Grant Anticipation Loans/Bond	12,500,000	4,239,902.00
Subsidiary Corporations	1,300,000	800,000.00
TOTAL	\$272,200,000	\$244,572,664

Discussion

The planned versus the actual funding is based on the amount DCHA anticipated in receiving versus the actual amount it received. The actual amount represents the dollar amount the agency received through reimbursement, which is counted as revenue in the agencies accounting. As shown above, DCHA projected \$272,200 in revenue, however the actual revenue 10% less than projected. The primary shortfall was in HOPE VI grant reimbursements, proceeds from grant anticipation loans/bond, and other miscellaneous grant. DCHA anticipated receiving a HOPE VI award of \$25,000,000, but was reimbursed \$16,570,355, a dollar for dollar reimbursements for all HOPE VI related activities. DCHA also anticipated a larger funding in miscellaneous grants such as ROSS grants, Neighborhood Networks grant, YouthBuild, COPS grants, and other city funds. Lastly, DCHA anticipated \$12.5 million from the capital bond proceeds at the time the FY 2005 plan was submitted of which \$4.3 million has been received.

V. Uses of Funds

Budgeted vs actual expenditures by line item, FY 2005 unaudited*

		Planned Amount	Actual Amount
Line Item	Classification		
4110,4130,4140,4150,41 71,4190,4540	Administration	\$39,000,000	\$31,823,540
4210-4230,1440	Tenant Services	\$1,000,000	1,071,952.00
4310-4350,4390	Utilities	\$20,000,000	22,332,807.00
4410-4430	Maintenance	\$15,000,000	17,062,750.00
4460-4480	Security	\$6,500,000	6,395,156.00
	Housing Assistance Pmts	\$128,000,000	122,387,645.00
451,045,704,590	General	\$5,000,000	11,029,462.00
1400,1430,1440,1450, 1460,1470,4610	Dev./Capital/No Routine	\$57,000,000	31,528,333.00
	TOTAL	\$271,500,000	\$243,631,645

^{*}DCHA will provide HUD with final audited numbers at the conclusion of the FY2005 independent audit review.

Discussion

As a result of the decrease in projected sources, DCHA found it necessary to reduce public housing operating expenses. As can be gleaned from the table above, the resulting actual expenses reflect success in reaching the revised budget targets. In addition, DCHA continued to look at management restructuring that was launched in FY 2004. In FY 2005, DCHA began planning a management restructuring change that will be complete in January 2006. It is anticipated that these changes will result in reduced operating expenses for FY 2006.

Reserve Balance at End of FY '05 and Adequacy of Reserves

DCHA had an estimated \$42,000,000 in retained earnings in its reserves at the end of FY '05. DCHA's reserves are more than twice its monthly expenses.

VI. Capital Planning

Planned vs Actual Expenditures

The table in Appendix C reflects planned and actual capital expenditures at each existing property during FY 2005, using all capital funding sources.

Discussion

The most important capital initiative during FY 2005 was the completion of a multi-year effort to complete the conversion and creation of 324 UFAS compliant units.

DCHA met this challenge and was able to convert an additional 2 units. In addition, DCHA completed capital improvements to more than 100 additional units that had been vacant due to capital needs.

DCHA has received its first bond issuance of over eighty million (\$80,000,000) dollars that will impact 39 of DCHA's properties. These developments will be modernized to 20 year viability. Work at the developments has begun and will be completed by 2009. DCHA staff has been meeting with residents at each of the impacted sites to get feedback on the specific modernization plan for their respective development. Work activities over the course of this massive undertaking will include, but is not limited to, the renovation/replacement of: heating units, cooling units, roof replacements, site enhancements, façade enhancements, and unit renovations.

VII. Management Information for Owned/Managed Units

A. Vacancy Rates by Property at end of FY '05

DCHA - Rock Creek

Property	# of Available Units FY '05	# of Occupied Units FY '05	Actual Adjusted Vacancy Rate FY '05	Target Adjusted Vacancy Rate FY '05
Colorado	20	20	0.0%	2%
Columbia Road	23	21	8.7%	2%
Fort Lincoln	117	113	3.4%	2%
Garfield Terrace	271	269	0.7%	2%
Greenleaf Gardens	275	273	0.7%	2%
Greenleaf Senior	212	207	2.4%	2%
Harvard Towers	187	184	1.6%	2%
James Apartments	140	139	0.7%	2%
James Creek Apartments	236	235	0.4%	2%
Judiciary House	185	185	0.0%	2%
Kelly Miller Apartments	167	166	0.6%	2%
LeDroit Apartments	121	120	0.8%	2%
Montana Terrace	47	46	2.1%	2%
Park Morton Apartments	168	166	1.2%	2%
Scattered Sites	34	34	0.0%	2%
Syphax Gardens	168	168	0.0%	2% '
Langston Addition	271	271	0.0%	2%
Langston Addition/Terrace	34	34	0.0%	2%
TOTAL	2,676	2,651	0.04%	2%

DCHA - Potomac

	# of Available Units FY '05	# of Occupied Units FY '05	Actual Adjusted Vacancy Rate FY '05	Target Adjusted Vacancy Rate FY '05
Property				
Benning Terrace	267	257	3.7%	2.0%
Fort DuPont Addition	16	16	0.0%	2.0%
Fort DuPont Dwellings	102	101	1.0%	2.0%
Kenilworth Courts	289	287	0.7%	2.0%
Lincoln Heights	427	420	1.6%	2.0%
Parkside Addition	42	42	0.0%	2.0%
Richardson	188	187	0.5%	2.0%
Stoddert Terrace	155	155	0.0%	2.0%
Arthur Capper Senior	78	78	0.0%	2.0%
Barry Farm	428	427	0.2%	2.0%
Carroll Apartments	60	60	0.0%	2.0%
Elvans Road	19	19	0.0%	2.0%
Highland Addition/Highland Dwellings	320	318	0.6%	2.0%
Kentucky Courts	115	115	0.0%	2.0%
Knox Hill Senior	122	120	1.6%	2.0%
The Villager	20	20	0.0%	2.0%
Wade Apartments	12	12	0.0%	2.0%
Woodland	229	226	1.3%	2.0%
Scattered Sites	13	13	0.0%	2.0%
TOTAL	2,902	2,873	0.04%	2.0%

Privately Managed Properties

Property	# of Available Units FY '05	# of Occupied Units FY '05	Actual Adjusted Vacancy Rate FY '05	Target Adjusted Vacancy Rate FY '05
Clairidge	315	315	0.0%	2.0%
Edgewood	89	82	7.9%	2.0%
Horizon House	100	100	0.0%	2.0%
Regency House	156	156	0.0%	2.0%
Lincoln Road/Ontario	30	30	0.0%	2.0%
Sibley Plaza	192	192	0.0%	2.0%
Sursum Corda	28	27	3.6%	2.0%
Potomac Gardens	347	334	3.7%	2.0%
Henson Ridge	68	68	0.0%	2.0%
Hopkins Apts.	153	144	5.9%	2.0%
Wheeler Creek	148	148	0.0%	2.0%
TOTAL	1,626	1,596	1.8%	2.0%

Discussion

DCHA has a low adjusted vacancy rate at all of it properties. None of the regions had an overall adjusted vacancy rate of even 1%. All three regions more than met their target vacancy rate of less than 2% as of September 30, 2005.

B. Rent Collections

Rent Collections: Cash Collected compared to Rent Billed

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Projected	98%	98%	98%					
Actual	99%	99%	97%					

DCHA maintains a high percentage of cash collected compared to rent billed, with 97% collection rate.

C. Work Orders

Work Orders: Days to Complete Routine Work Orders

	End of							
	FY '03	FY '04	FY '05	FY '06	FY '07	FY '08	FY '09	FY '10
Projected	23	23	23					
Actual	20	23	23					

DCHA has tracked this measure according to the requirements of its MTW Agreement benchmark.

Work Orders: %-age Emergency Work Orders completed within 24 hours

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Projected	100%	100%	100%					
Actual	100%	100%	100%					

D. <u>Inspections</u>

Units and Systems Inspected Annually

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Projected	100%	100%	100%					
Actual	100%	100%	100%					

Results of independent PHAS/REAC inspection

Property Name	Score	Weighted Score
2905 11th Street	56c	0.007
Arthur Capper Sr/ Family	66c	2.5
Barry Farms	46c*	2.49
Benning Terrace	47c*	1.63
Capital View Plaza	56c	0.45
Carroll	96	0.73
Carrollsburg	41c*	1.5
Claridge Towers	47c	2.05
Colorado	95b	0.25
Columbia Road	93c	0.27
Elvans Road	81c	0.195
Fort Dupont Addition	52c	0.1
Fort Lincoln	99a*	1.47
Frontiers	99a	0.012
Ft. Dupont	96	1.268
Garfield Terrace	78c	2.75
Greenleaf Addition	33c*	0.134
Greenleaf Extension	67b*	0.03
Greenleaf Gardens	44c*	2.53
Harvard Towers	38c	0.92

Property Name	Score	Weighted Score
Highland Dwelling	62b*	1.63
Hopkins	64c	1.23
Horizon House	83c	1.09
James Apartments	74b	1.3
James Creek	54c	1.62
Judiciary House	99a	3.4
Kelly Miller	75c*	1.59
Kenilworth Courts	73b	2.69
Kentucky Courts	80c	1.18
Knox Hill Senior	81b	1.25
Langston Addition	76c	0.32
Langston Terrace	77c	2.68
Ledroit	55c*	0.84
Lincoln Heights	63c	3.52
Lincoln/ Ontario	76b	0.318
Montana	69c	0.55
Park Morton	48c	1.02
Parkside Additions	79c	0.42
Potomac Gardens	716	3.17
Project 60	73c*	0.213
Regency House	91b	1.85
Richardson	65c*	1.56
Scattered Sites (83)	50c	0.038
Scattered Sites(82)	34b	0.01
Scattered Sites(88)	70ь	0.017
Sibley Plaza	80c	2.5
Stoddert Terrace	66c	1.32
Sursum Corda	85c	0.29
Syphax	66c	1.4
Villager	75c	0.19
Wade	90ъ	0.137
Wheeler Creek Family	96a	0.58
Wheeler Creek Leased	85c	0.14
Wheeler Creek Senior	96b	1.22
Woodland Terrace	46c*	1.35

The tables of PHAS/REAC inspection scores above are presented by property only.

E. Security

Due to diminishing resources, DCHA has been operating with a reduced police force. In order to maximize the impact of the available police officers, DCHA has modified its style of operations this fiscal year. The DCHA Office of Public Safety has organized a series of special tactical operations in coordination with the District of Columbia Metropolitan Police Department (MPD). The City's neighborhoods are divided into seven police districts with DCHA's properties are scattered throughout the districts. Within these districts are also "Hot Spot" areas, which include eight (8) of DCHA's developments. According to MPD data, a comparison of crime statistics FY 2004 and FY 2005 shows an overall significant crime reduction in all those hot spot areas that include DCHA properties ranging from a decrease of six to 55 percent. For example, the overall crime rate has decreased 63 percent between FY 2004 and FY 2005 from 245 and 182, respectively, at the Georgia Avenue Northwest Hot Spot, which includes DCHA's Park Morton development. Similarly, the North Capital St., North East Hot Spot site, which includes DCHA's Sibley Plaza and Sursum Corda developments, also experienced a 16 % decrease in overall crime rate between FY 2004 and FY 2005.

These special operations are being funded in part by Law Enforcement Block Grants and funding from the District government. DCHA received nearly \$205,000 in Law Enforcement Block Grants funds in FY 2005. These funds were used to purchase additional specialized portable computers, replacement squad cars, patrol bicycles and body armor for the DCHA Police Department.

Routine community policing by the DCHA force at DCHA properties has resulted in over 102 stolen or abandoned vehicles being recovered, over 683 barring notices issued to unwanted persons on DCHA properties, and over 308 potential One-Strike situations submitted to DCHA's Office of General Counsel for review for possible evictions, and nearly 211 arrests were made by the DCHA police force.

VIII. Management Information for Leased Housing

Leasing Information Α.

Target vs Actual lease-ups at end of period

	End of FY '03	End of FY '04	End of FY '05	End of FY '06	End of FY '07	End of FY '08	End of FY '09	End of FY '10
Projected	8680	9,300	9,643					
Actual	9249	9,908	9,575					

Rent Reasonableness

DCHA performs rent reasonableness reviews for each new lease and request for rent increase using a comprehensive automated system and two on-staff real estate analysts who maintain the district-wide database of comparable properties. DCHA HQS inspectors have been trained and tasked with gathering data, on site, during the initial, pre-lease-up inspections for the use of the real estate analysts in completing an accurate rent reasonableness determination for units newly entering the program. DCHA's inspection unit now schedules and conducts its HQS inspections electronically, which has improved the timing and scheduling of our inspections.

Expanding Housing Opportunities

DCHA has implemented Fair Market Rents based on the 50th percentile and established a high payment standard in order to expand housing opportunities for its voucher recipients. Each of theses past actions, has served to expand housing opportunities for DCHA's low income families. New federal voucher allocation methodologies has not kept pace with actual costs; a departure from HUD's traditional method of funding the voucher program. As such, DCHA is continuing to explore cost containment initiatives allowed by DCHA's MTW Agreement to sustain families currently in the program.

De-concentration of low-income families

In addition to improving success rates, the efforts above also contributed to the reduction in the concentration of low income voucher holders in already poverty impacted neighborhoods. DCHA has also upgraded its briefing package and presentation to include materials to assist new voucher recipients in finding a home in a non-poverty impacted areas.

Discussion

In the past five years DCHA's lease rate has increased consistently. The authority has modified and improved its rent reasonableness practices to be more efficient and has worked hard to increase the opportunities for voucher participants to live in non-poverty impacted areas. Given the success of an active and effective rent reasonableness effort, the success of efforts to increase lease-up and reduce poverty impaction has resulted in increased per voucher costs, which the housing authority must try to adjust given HUD's new HCVP funding methods.

B. <u>Inspection Strategy</u>

Planned versus actual inspections

DCHA schedules 100% of annual HQS inspections of occupied households. DCHA has met its goals of completing 100% of planned HQS Inspections for occupied units, 100% of planned pre-contract inspections and 100% of the planned sample of HQS quality control inspections.

HQS Enforcement

DCHA requires that 100% of all HQS violations are repaired or the HAP contract is terminated. Fifty per cent of all units under contract are found to have deficiencies and require a return inspection to determine that HQS violations have been repaired. In addition approximately 45% of all units presented for a first time inspection do not pass inspection.

Discussion

The failure rate of first time inspections as well as annual inspections of occupied units speaks to the difficulty of finding quality affordable units in the District of Columbia and the difficulty that DCHA HCVP customers have in finding acceptable housing.

IX. **Resident Programs**

In FY 2005, DCHA has organized its coordination and development of opportunities for resident programs into six priority areas as follows:

- Children and Youth;
- Elderly and Disabled;
- Family Enhancement;
- Workforce Preparation;
- Workforce Preparation;
- Health and Wellness, and;
- Self-Help.

As planned, the primary sources for funding for these areas of concentration are as follows:

- HOPE VI funded Community and Supportive Services programs;
- Programs offered by private non profit organizations using DCHA facilities such as the Boys and Girls Clubs of America, Urban Family Institute and the Alliance of Concerned Men;
- Family Self Sufficiency programs for voucher recipients offered through the Housing Choice Voucher Program;
- Programs funded by operating subsidy and Capital Fund management improvement funds including organizing and overseeing fair and successful resident council elections, resident council and officer training, outreach to local businesses and charitable organizations for direct assistance for residents, active grantsmanship; and
- Support of the administration of various Resident Opportunities for Self-Sufficiency (ROSS) grants by Resident Councils.

DCHA provides or facilitates two types of services for its residents. First, DCHA seeks to empower its residents by facilitating leadership opportunities at the development level and citywide. In addition to working with the Citywide Resident Advisory Board that was created two years ago, DCHA also works to improve the capacity of its resident councils. In April 2005, DCHA facilitated the elections of 39 resident councils throughout the city. As a follow-up to the elections, DCHA sponsored capacity building sessions in May. This "Resident Council Officer Training" included highly effective group development exercises and encouraged strategic thinking, teamwork and planning. The training was a successful event and residents had a sense of accomplishment at the completion of the training. All resident comments received indicated a high level of satisfaction with the training. These sessions marked the first in a series of leadership development training activities for resident council leaders.

Second, DCHA strives to sponsor and partner with service providers in the provision of self-sufficiency and supportive services. These services occur throughout the year and are identified by development in Appendix D. Two very special offerings were DCHA's annual youth job program called "Do Your Best", and its second annual Resident Summit.

The 2005 Do Your B.E.S.T. (DYB) Summer Youth Employment Program officially kicked off on Monday, June 27, 2005 when the participants reported for work. Prior to the first day of work, there were a series of mandatory job preparation activities. The DYB Participant Orientation was held on Saturday, June 4th. Information covered in the orientation sessions included: Introduction to DYB Staff, Program Overview and History, DYB Rules and Regulations, DYB Program Schedule & Important Dates, and the completion of DCHA Human Resources documents. In addition, each group was required to participate in a Workforce Preparation Workshop. The 79 participants on the DYB Roster (64 Public Housing Participants and 15 HCVP Participants) work June 27 through August 19, 2005. There were a total of 31 host sites. This number includes outside agencies and organizations, as well as internal DCHA departments.

The Resident Summit took place on September 7 -10, 2005. Over 350 participants attended this event that featured workshops and presentations by leading public housing officials and resident leaders.

DCHA's HCVP Family Self Sufficiency Program has also grown. The program now boasts 393 active participants. Of the 393 participants, 148 have escrow balances totaling over \$400,000, 243 are currently employed and 75 participants are receiving TANF.

In addition to the major items outlined above, DCHA also adopted an internal procedural change that expanded the housing authority's Fair Hearings function, which formerly only handled public housing grievances, to include the Housing Choice Voucher Program (HCVP). Moving forward, all grievances filed with respects to the voucher program will be processed by the Fair Hearings office. This change was praised by the local advocacy community. Not only has it administratively streamlined this important function, it will also benefit our voucher participants as they seek to exercise their rights.

IX. Other Information Required by HUD

The results of the latest completed 133 Audit are included in this report at Appendix F. All required certifications were submitted with the FY 2005 CLS Plan, including:

Form HUD-50070 Certification of a Drug-Free Workplace

Form 038-0046 Disclosure of Lobbying Activities

Form HUD 50071 Certification of Payments to Influence Federal Transactions and the Moving to Work Demonstration Program Certification for FY 2005 Annual Plan

PART II: CREATIVE LIVING SOLUTIONS INITIATIVES

Overview

Under the terms of DCHA's Moving to Work (MTW) agreement, DCHA has the authority to develop local regulations that better meet the needs of the 50,000 District of Columbia residents that the housing authority serves. During the past fiscal year, DCHA has worked with the residents of its properties, the participants in its HCVP voucher program, the landlords who house voucher recipients, the advocate community and other stakeholders to begin work on each of the initiatives listed in the FY 2005 Creative Living Solutions Plan (CLS). DCHA values this participatory approach in its policymaking, and takes very seriously the input of all of its stakeholders. As a result of this extensive exploratory process, some initiatives proposed last year have been implemented, some have been closed without implementation, and others will be continued in FY 2006. Of the fourteen initiatives proposed in the FY 2005 Creative Living Solutions Plan, five have been explored and implemented. Of the remaining initiatives, eight will continue to be explored in FY 2006, and one has been closed without implementation.

Five of the 14 initiatives proposed in the FY 2005 CLS Plan have been completed. The following initiatives were implemented and/or completed in FY 2005:

Initiative 1.4.04	Modifications to HCVP Homeownership Program
Initiative 1.6.05	Modifications to Methods for Setting Total Tenant Payments
	and determining HCVP Market Rents*
Initiative 2.5.05	Modifications to Pet Policy
Initiative 3.5.05	Streamlining Resident Community Service
Initiative 4.3.05	Flexible Funding*

The asterisked initiatives had components implemented during FY 2005. DCHA intends to further explore other innovative ideas under each of these Initiatives during FY 2006.

FY '05 Initiative closed without implementation was:

Initiative 2.4.04 Special Occupancy Policy for Service Providers

FY '04 Initiatives still being explored that are included in the FY '06 Plan are:

Security Deposit Guarantee Program
Modifications to DCHA's Project-Based Voucher Program
Modifications to HCVP Inspections Scheduling
Simplified Certification and Multi-year Income Recertification
Streamlined Subsidy-Only Protocol
Supporting Grandfamilies
DCHA Subsidiary to Act as Energy Services Company
Revolving Loan Fund for HCVP Landlords

This section of the report presents the changes in DCHA policy and procedures per the five implemented initiatives and a description of the codified local rules. Attachment A presents a list of the completed initiatives and the sections of the 1937 Housing Act and the Code of Federal Regulations that were replaced by the locally established rules.

Each of the objectives reported as completed in this report advance at least one of the four objectives of DCHA's MTW Plan, and they are organized accordingly. These initiatives as consistent with objectives included in DCHA's FY 2003-FY 2004 Strategic Plan, as mentioned early, and were designed to improve the effectiveness of DCHA's housing programs for its clients and administrative efficiencies for its staff.

Overview of Local Regulatory Process and Implementation of Initiatives

Prior to starting the public rulemaking process DCHA consults with and obtains comments and input on any proposed rule changes or new rules from key stakeholders such as the DCHA Citywide Resident Advisory Board, and the HCVP Landlord Advisory Committee and Participant Advisory Committee, and the local housing advocate community. Once a draft rule has been prepared taking all views into account, it is presented to the appropriate committee(s) of the Board of Commissioners. The Board of Commissioners has four committees with defined responsibilities. These committees are:

- Development and Modernization;
- Operations;
- Finance: and
- Education

Once the appropriate Board committee has provided authorization to publish the proposed rule, it is published for 14 to 30 days in the DC Register by the government of the District of Columbia. Written comments are received and reviewed. Based on the comments and further discussion with stakeholders the proposed rule may or may not be amended. If it is significantly amended it is taken back before the appropriate Board committee(s) and with the committee(s) authorization republished for an additional notice and comment period. If there are no significant changes, the proposed rule is brought back to the committee(s) with the written comments. If the committee(s) approves the proposed rule it is placed on the Board of Commissioners public agenda for action after public testimony. The agenda is distributed to all of the Resident Council Presidents and reviewed with the Citywide Resident Advisory Board, and the HCVP Landlord Advisory Committee and the Participant Advisory Committee. Prior to taking action at the Board meeting, the Board of Commissioners calls on staff for a public presentation of an analysis of the proposed rule and its potential impacts. The new rule or rule change is not in effect until the Board of Commissioners has adopted a resolution in a public meeting approving it, and final notice is published in the DC Municipal Register.

Objective 1: Developing Enhanced Housing Opportunities

Introduction

This chapter describes the CLS activities that the District of Columbia Housing Authority (DCHA) will be undertaking to develop enhanced housing opportunities for the low-income citizens of the District. DCHA has proposed initiatives that will both facilitate the production or preservation of affordable units and improve the quality of life at the affordable units on which it has some influence.

CLS Initiatives

Initiative 1.4.04: Modifications to HCVP Homeownership Program

Over the past two years, DCHA has explored and sought to implement various appropriate modifications to the HCVP Homeownership Program that make it more attractive to financial institutions and more user-friendly to potential beneficiaries. During FY 2005, DCHA developed regulations that incorporate critical coast and efficiency measures. These changes are as follows:

- 1. The minimum down payment was set at 3% with no minimum required from the family's personal resources.
- 2. A recapture mechanism was established that allows for the recapture of a portion of the homeownership (mortgage payments) assistance if the family leaves the property in the first 10 years.
- 3. The employment requirement was increased from one year to at least two years.
 - 4. Portability is no longer permitted under the Homeownership program.
- 5. A termination clause was included providing for the termination of a Household from the program if the household income falls below the minimum amount required for more than 12 months.

Initiative 1.6.05: Modifications to Methods for Setting Total Tenant Payments and Determining HCVP Market Rents

As part of DCHA's ongoing efforts to maximize the resources available for DCHA's customers and to reduce the administrative cost of making these resources available, in FY 2005, DCHA proposed exploring modifications to the required rent reasonableness determination, methods for reviewing rent increase requests, a minimum payment requirement for all voucher recipients, and other administrative adjustments that

would improve the efficiency of payments to landlords. While DCHA decided not to implement a minimum rent policy during FY 2005, we did employ two other cost saving measures.

The first was to minimize duplicate payments to landlords when a HCVP participant moves from one assisted unit to a new assisted unit. Limiting these moves to where the new lease can only start on the first of a month; this keeps the new lease and the old lease from overlapping. In the past, these overlaps resulted in duplicate payments for the same client to two landlords. The old landlord would receive the entire month's housing payment and the new landlord would receive a pro-rata for the remaining portion of the month. By taking this action, DCHA has reduced costs without a reduction in services to our clients.

The second regulatory change impacted the means through which DCHA reviews rent increases and determines rent reasonableness. This overarching change incorporated seven subparts, including:

- 1. limiting rent increases to landlords to the HUD published Annual Adjustment
- 2. giving DCHA the option, rather than the obligation, to negotiate rent on behalf of a requesting participant;
- 3. giving flexibility in the methodology and factors considered in doing market rent comparables in connection with rent reasonableness determinations;
- 4. requiring landlords renting a single unit property as well as units in multi-unit properties to certify that the rent being charges is not more than rents charges on their comparable unassisted units;
- 5. providing for more efficiencies in the implementation of rent increases and decreases to the landlord including, requests to be made 90, rater than 60, days in advance, and timing them to coincide with the annual recertification of the participant's annual income;
- 6. providing for rent reasonableness determinations triggered by reductions in the HUD published Fair Market Rent to be phased in over a year rather than immediately upon publication of the reduced FMR; and
- 7. instituting rent decreases in a more efficient manner after the second recertification.

DCHA's authority under MTW to make these regulatory changes proved to be quite valuable given the need to respond quickly to the increasing cost of housing in the District of Columbia and the federal government's policy decision to decouple the funding levels from actual housing costs. DCHA was able to keep its current program participants whole, and did so in lieu of adding new families (with the exception of optouts) to the program. While the housing authority did not pull any families off the voucher waiting list, it was able to defer a minimum rent payment and other potentially damaging actions.

Objective 2: **Sustain Quality Property Management**

Introduction

This chapter describes the activities the District of Columbia Housing Authority (DCHA) took during FY 2005 to develop Creative Living Solutions (CLS) to sustain the quality of the day-to-day management of the residential communities for which it is responsible. This objective reflects DCHA's core business. DCHA's definition of quality property management is to provide CLASS--Clean, Livable, Attractive, Safe and Sustainable--properties.

DCHA has achieved an excellent record in property management in recent years. The challenge now is to continue to maintain this performance level, while examining the way it does business so as to lower operating costs. Using the flexibility and freedom allowed by the MTW demonstration, DCHA was able to consider avenues to improve the effectiveness of its operations, develop alternative policies and procedures through local rulemaking that achieve similar or better results for its customers, but are more efficient to administer – the essence of a demonstration program

Initiative 2.5.05: Modifications to Pet Policy

In FY2004, DCHA adopted an interim local policy that only allows pets as a reasonable accommodation for disabled residents. In FY 2005, DCHA continued its exploration of this highly emotional issue, and with input from its residents, created a new policy governing the ownership of pets on the housing authority's properties. DCHA recognizes that pets offer companionship to individuals who are able-bodied. But, there are also many individuals who are allergic to or frightened of animals and wish to live in a pet free environment. DCHA also recognizes that large animals and large numbers of animals may be a detriment to the physical and social environment of a property. As a landlord, DCHA has the responsibility to balance these conflicting interests. DCHA heard from many residents over a ten month period and held a special hearing during February 2005 specifically to solicit feedback and input on the proposed pet policy.

Given this input and the realities of managing large subsidized communities, DCHA has adopted regulations that limit pet ownership to those residents in both senior and family development who are in need of service animals with a grandfather provision for those residents in senior buildings who had a pet prior to the effective date of the regulation. DCHA believes that this policy offers the greatest good to the largest number of our residents.

Objective 3: **Achieve Effective Customer Support Services**

Introduction

In addition to achieving excellence in its property management and expanding housing opportunities for District of Columbia families, DCHA values effective resident services and resident empowerment.

Over the past year, DCHA has sponsored or facilitated a medley of empowerment activities, as outlined earlier in this report. This included the second Annual Resident Summit, where hundreds of residents had an opportunity to interface with numerous service providers, and the biannual elections of resident councils throughout the city. DCHA also seeks to partner with other organizations and government agencies for the provision of services that meet the needs of our public housing residents and voucher participants.

Under this Objective, DCHA identifies and explores innovative approaches to resident services and resident empowerment. To the extent that DCHA needs regulatory relief to achieve either of these, it has created alternative local rules. During FY 2005, DCHA implemented one initiative under this Objective.

Initiative 3.5.05: Streamlining Resident Community Service

In August of 2004, DCHA established its Neighbor-to-Neighbor program, which encouraged voluntary community services among its residents and provided a framework for DCHA to document these contributions. DCHA recognizes the value and magnitude of the truly voluntary service contributed by its residents for the welfare of their neighbors and the larger community.

During FY 2005, DCHA enacted regulations that add a required community service participation element. The regulations as proposed are designed to meet the statutory community service requirements while providing regulatory simplifications and administrative streamlining. It allows the focus to remain on providing support and assistance to residents looking for avenues to self-sufficiency. The regulations provide for all the exemptions from participation for residents allowed by statute and define an exemption from the community service requirement for participation in "work activities" that was referenced in the statute.

The goal of these regulations is to assist public housing residents in improving their economic and social well-being and to give residents a greater stake in their communities. The Neighbor to Neighbor Program, as amended this year, allows residents who are not exempt from the community service requirement to use their

required 8 hours of service in a self-sufficiency activity. This policy offers positive incentives to increase self-responsibility. Using data residents already report regarding income amount and sources, DCHA will automatically determine those individuals who are not exempt. During recertification, non-exempt individuals will be responsible for demonstrating their participation in a work activity.

Each adult member of a household who is not deemed exempt shall, as a condition of continued occupancy, contribute eight hours in an approved community service activity. DCHA will review the exempt status of each adult family member as part of the recertification process. Exempt persons are those who are:

- a. 62 years old or older,
- b. Blind or disabled as determined in accordance with federal regulations,
- c. The primary caretaker of an individual identified in (b),
- d. Engaged in one, or a combination of work activities for at least eight hours per month or a total of 96 hours over the course of a year,
- e. Exempt from having to engage in a work activity under a Qualified Assistance Program,
- f. A member of a family receiving assistance under a Qualified Assistance Program, provided that the family has not been found by the Administering agency to be in noncompliance.

Objective 4: Organize Efficient Businesslike Operating Systems

Introduction

This chapter outlines the initiatives that DCHA will undertake in FY 2005 to target its resources where they are most needed and develop revenue sources to augment those provided by HUD and tenant rent.

Initiative 4.1.04: DCHA Subsidiary to Act as Energy Services Company

DCHA has been exploring the use of its wholly owned subsidiary, Construction Services Administration, LLC (CSA) as an Energy Services Company (ESCo). The DCHA subsidiary, CSA, may play a key role in the final strategy for implementation of a comprehensive energy management strategy. The strategy will combine MTW flexibility and freedom from regulatory restraint with HUD's Operating Subsidy incentives at 24 CFR 990.107(c)(4) and (f)(1), modified by MTW flexibility, that encourage a comprehensive energy conservation program. DCHA expects to use HUD provisions allowing, for the purposes of energy subsidy calculation, a frozen base of consumption costs plus actual consumption costs savings to amortize private financing of a comprehensive DCHA energy management program. The frozen base method of operating subsidy calculation may be used for some aspects of the program in conjunction with an add-on for energy conservation related debt service for other aspects of DCHA's comprehensive energy conservation program.

DCHA submitted its proposal to HUD in October 2005 and is working with HUD staff on its approval.

Initiative 4.3.05: Flexible Funding

As proposed in the FY 2005 plan, and with the funding fungibility authority granted in DCHA's MTW Agreement, the housing authority did use HCVP funding authority totaling \$1,690,200 for operating costs associated with the program.

CONCLUSION

In this third Moving to Work Annual Report, DCHA has presented the data and other information required under Attachment B of its MTW Agreement with HUD along with a report on the Initiatives proposed in the FY 2005 CLS Plan that were completed during FY 2005. DCHA will report on the remaining initiatives proposed in the FY 2005 Plan in the CLS report for the year in which they are completed.

The completed initiatives play an important role in advancing DCHA's mission and lay the groundwork for additional advances in future years. DCHA's accomplishments under the FY 2005 Creative Living Solutions Plan have allowed DCHA to make great progress toward achieving its mission of , "...enhancing the quality of life in the District of Columbia by providing and effectively managing affordable housing which is diverse, well maintained and aesthetically pleasing for those whose circumstances prevent them from competing in the general marketplace. The District of Columbia Housing Authority seeks to achieve the highest and best use of that housing for people of low and moderate income through the promotion of economic development and self sufficiency opportunities and the facilitation of other supportive services."

Part III: APPENDICES

Appendix A: List of Completed Initiatives with Regulatory References

Appendix B:	Benchmark Sta	tus Report		
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Appendix C: Capital Expenditures at Existing	Properties	
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Appendix D:	Supportive and Enrichment Services

Appendix E:	Independent	Audit for	FY	2004—Most recently
completed				

Appendix A: I	List of Completed 1	Initiatives with Regu	latory References
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	•		

Initiative	Superceded Federal Provisions	Controlling Local Provisions	Date Local Provisions Adopted	Comments
Objective 1: Developing	Developing Enhanced Housing Op	sing Opportunities		
		14 DCMR 92	June 8, 2005	Each of these local
Modifications to HCVP Homeownership Program	24 CFR 982.625(g)(1)	1) Setting the minimum down payment at 3%		modifications are based on experience with the program and finding that more
		with no minimum required from the family's personal		flexibility in some areas and less for others in the narticipation requirements
		resources;		enhances the program's
	24 CFR 982.625(h)	(2) equity sharing if the family sells the property in the first 10 years;		potential to be successful to the participants and cost effective for DCHA.
	24 CFR 982.627(d)(ii)	(3) increasing the employment requirement from one year to two;		
	24 CFR 982.355(a)	(4) disallowing portability		
	24 CFR 982.638	(5) termination of assistance if household income is reduced below the minimum amount for		
		more than 12 months.		
1.5.05 Modifications to DCHA's Project Based Voucher Program				No action take in FY 2005

Initiative	Superceded Federal Provisions	Controlling Local Provisions	Date Local Provisions Adopted	Comments
1.6.05: Modifications to Methods for Setting	(1) 24 CFR 982.314(b)	(1) 14 DCMR 85	(1) May 11, 2005	(1) This local regulation reduces costs by minimizing
Total Tenant Payments and Determining HCVP Market Rents		Chapter 85 of the Local Rules governing DCHA limits moves by existing HCVP participants with		duplicate payments to landlords when a HCVP Participant moves from one assisted unit to a new
		some specified exceptions, to a lease-		assisted unit. Limiting these moves to where the new
		up at the first of a month only.		lease can only start on the first of a month keeps the old
				lease and the new lease from overlapping thereby causing duplicate payments.
	(2)	(2) 14 DCMR 83	(2) September	2) These local regulations, which modify what are
-	(a) <i>982.519</i> (b)	(a) limiting rent increases to landlords to	14, 2005	relatively minor provisions governing the operations of
		the HUD published Annual Adjustment		the HCVP program, have a significant impact on
		Factor;		operating a large program such as DCHA's, from
	(b) 24 CFR 982.506	(b) giving DCHA the		assuring that AAF is the cap
		option, rather than the		on rent increases, to
		obligation, to flegoliate rent on behalf of a		minor as the amount of time
		requesting participant;		to adjust total tenant
	:			payments and the timing of
	(c) 24 CFR 982.507(b)	(c) giving flexibility in the methodology and factors		the changes to coincide with annual recertifications.

cal Comments			
Date Local Provisions Adopted			
Controlling Local Provisions	considered in doing market rent comparables in connection with rent reasonableness determinations;	d) requiring landlords renting a single unit property as well as units in multi-unit properties to certify that the rent charged is not more than rents charged on their comparable unassisted units;	(e) providing for more efficiencies in the implementation of rent increases and decreases to the landlord including, (requiring requests to be made 90, rather than 60, days in advance, and timing them to coincide with the annual recertification of the Participant's annual income
Superceded Federal Provisions		(d) 24 CFR 982.507(c)	(e) 24 CFR 982.507(a)(2)(ii)
Initiative			

Initiative	Superceded Federal Provisions	Controlling Local Provisions	Date Local Provisions Adopted	Comments
	(f) 24 CFR 507(a)(2)	f) providing for rent reasonableness determinations triggered by reductions in the HUD published Fair Market Rent to be phased in over a year rather than immediately open publication of the reduced FMR; and		
	g) 24 CFR 982.505	(g) instituting rent decreases in a more efficient manner after the second recertification, increases permitted at the first annual recertification.		
1.7.05 Security Deposit Guarantee Program				No action taken in FY2005
1.8.05 Modification to HCVP Inspections Schedule				No action taken in FY2005

Initiative	Superceded Federal Provisions	Controlling Local Provisions	Date Local Provisions Adopted	Comments
Objective 2: Susta	Sustained Quality Property Management	lanagement		the state of the s
lified and Mu in				No action taken in FY 2005
2.4.04 Special Occupancy for Service Providers				No action taken in FY 2005
2.5.05: Modifications to Pet Policy	42 USC 1437z-3	14 DCMR 6211 and 14 DCMR 7409 These local regulations allow for service animals as a reasonable accommodation provided the animal is domesticated, non- dangerous and registered with the housing authority. Pets residing in elderly buildings prior to May 1, 2005 were grandfathered if the pet was timely registered, otherwise pets are not permitted in any DCHA properties	April 13, 2005	These local provisions were the subject of extensive discussions and multiple meetings with Commissioners and residents prior to adoption in addition to the with the standard public hearing and comment periods.
	100 H		***************************************	

Comments	THE STATE OF THE PROPERTY OF THE STATE OF TH	No action taken in FY 2005	No action taken in 2005	These regulations meet the minimum statutory	requirements		Board of Commissioners voted to submit an application to HUD which is pending	- Committee of the Comm	No Action taken in FY2005	Flexible funding was not regulatory in nature
Date Local Provisions Adopted				September 14, 2005			September 14, 2005	\$2000000000000000000000000000000000000	****	MANAGERY P. V.
Controlling Local Provisions	upport Services			14 DCMR 6214	The local regulations implement the required community service with the permissible exemptions including an exemption for residents participating at tahe same required level as community service in "work activities" such as job readiness and job search activities.	ess Operating Systems				
Superceded Federal Provisions	Achieve Effective Customer Support Services			42 USC 1437j(c)		Organize Efficient Business Ope		The state of the s		
Initiative	Objective 3: Achiev	mlined sidy-Or	3.4.05 Supporting Grand families	3.5.05: Streamlining Resident	Community Service	4. Objective: Organize	HA / to ac ervices	Company	4.2.05 Revolving Fund for HCVP Landlords	4.3.05 Flexible Funding

Appendix B: Benchmark Status Report

		Year 2 Benchmark	Year 2 Accomplishment
Objective: DEVE	LOP ENHANCED HO	USING OPPORT	UNITIES
Benchmark: Housing Choice Voucher	Number of vouchers in use on 9/30/05 Public housing	8,667 vouchers in use	9,575 vouchers in use
Benchmark: Public Housing Units	units leased on 9/30/05	7,413 occupied units	7,120 occupied units
Benchmark: Homeownership Units	Cumulative number of public housing or HCVP homeownership units that have gone to closing	150 homeownership closings	209 homeownership closings
Benchmark: UFAS units	Cumulative number of UFAS units	410 UFAS units created or converted	365 UFAS units created or converted
objective: SUS	TAIN QUALITY PRO	PERTY MANAGE	MENT
Benchmark: Cash Collected/Rent Billed	For the Fiscal Year, tenant payments as the percentage of rent billed	98%	98%
Benchmark: Units & Systems Inspected	The percentage of major systems and occupied units inspected by 9/30/05	100%	100%
Benchmark: Routine Work Order Completion Time	For the Fiscal Year, the average number of days to complete routine work orders	23	23

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		Year 2 Benchmark	Year 2 Accomplishment
Benchmark: Emergency Work Order Completion Rate	For the Fiscal Year, the average number of hours required to close Emergency Work Orders	<24	<24
Benchmark: Adjusted Occupancy Rate	The ratio of Occupied public housing units to available units as of 9/30/05	98%	99%
Objective: AS	SSURE EFFECTIVE S	SUPPORT SERVI	CES
Benchmark: Families Assisted in Self-Sufficiency Efforts	The cumulative number of families enrolled in or graduated from a DCHA sponsored self-sufficiency program, including HCVP and CSSP	100	2,015
Objective: MAIN	TAIN BUSINESS-LIKI	E OPERATING SY	YSTEMS
Benchmark: Expandable Fund Balance in Operating	Funds from all sources available to be expended for unanticipated needs expressed in the number of months of average operating expense that could be covered by the		
Reserve	reserves	2 Months	>2 Months

		Year 2 Benchmark	Year 2 Accomplishment
Benchmark: File Accuracy	Percentage of an audited sample of public housing and HCVP lease-up and recertification files for fiscal year reviewed for calculation of adjusted income and tenant payment/rent	62%	81%
Benchmark: Additional		4.000.000	
Non-PH Funds Raised	1	1,000,000	1,805,000

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Appendix C: Capital Expenditures at Existing Properties						

Development#	Development Name	Work Item	Expend	liture
			Planned	Actual
DC1-01	Fort Dupont Dwellings	Mechanical & Electrical	42,707	42,707
		Fire Damage	42,707	42,707
DC1-03	James Creek	Mechanical & Electrical	130,766	130,766
		Roof Replacement	60,624	60,624
		Fire Damage	22,983	22,983
		Replace Shingle Roof	47,159	47,159
DC1-08	Kelly Miller	 Mechanical & Electrical	77,384	77,384
DO1-00	Reny miner	Emergency Repair	16,613	16,613
		Enlergency Nepall	22,051	
			38,720	22,051 38,720
DC1-09	Barry Farm Dwellings	Mechanical & Electrical	350,003	350,003
		A/C unit repair, furnace		
		installation, boilers & furnaces		
		repair	13,338	13,338
		UFAS Improvements	125,746	125,746
		Air Combustion	2,487	2,487
		UFAS Improvements	76,676	76,676
		UFAS Improvements	47,578	47,578
		Fire damage	84,178	84,178
DC1-13	Lincoln Heights	Mechanical & Electrical	456,464	409,204
		Roof replacement, lighting upgrade, UFAS Improvements	128,894	128,894
		ADA Compliance	53,261	53,261
		Roof replacement, Furnace		
		replacement	8,165	8,165
·		CCTV system installation	7,235	7,235
		Fire damage	47,260	
		Fire damage	211,649	211,649
DC1-16	Highland Addition	Mechanical & Electrical	86,214	86,214
		Furnace installation	3,595	3,595
		Fire damage	82,619	82,619
DC1-17	Richardson	Mechanical & Electrical	35,716	35,716
DOT-11	Trioriarason	Renovation	35,716	35,716
				337
DC1-19	Kenilworth Courts	Mechanical & Electrical	2,210,119	1,080,393
		Roof Replacement	18,945	18,945
		Roof Replacement	157,277	157,277
		Renovation of 10 units	349,535	349,535
		Renovation of hallway of 10		
		units	492,128	492,128
		UFAS Improvements	62,508	62,508
		Replacement of 10 boilers	1,129,726	
		<u> L</u>		

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Development#	Development Name	Work Item	Expend	liture
DC1-21	Greenleaf Gardens	Mechanical & Electrical	1,184,946	1,184,946
		Renovation of UFAS units	441,313	441,313
		Boiler system repair	3,746	3,746
		Mod to a UFAS unit	22,661	22,661
······································		Renovation of 2 units	28,306	28,306
		Mod to 8 UFAS units	599,808	599,808
		Fire damage	89,112	89,112
DC1-22	Benning Terrace	Mechanical & Electrical	1,871,981	1,658,834
		UFAS improvements	55,062	55,062
		Roof replacement	68,361	67,045
		Routine maintenance of 8 units	32,436	32,436
		Roof replacement	70,000	70,000
		Renovation of 4 units	171,406	171,406
		UFAS improvements	91,482	91,482
		Renovation of units	301,147	301,147
		UFAS improvements &		
		Asbestos abatement	636,692	636,692
		Fire damage	272,765	233,564
		Roof replacement	172,630	
		Site Improvements	142,943	141,261
·		Ramp construction	131,732	131,732
		Ramp construction	11,211	9,529
DC1-23	Stoddard Terrace	Mechanical & Electrical	1,002,229	1,002,229
		UFAS improvements	766,705	766,705
		UFAS improvements	3,818	3,818
		UFAS improvements	109,752	109,752
		UFAS improvements	20,641	20,641
		Electrical wiring	56,650	56,650
		Fire damage	44,663	44,663
				Marrace annual
		Site Improvements	201,950	201,950
		Electrical Services for security		
		lighting at site	23,169	23,169
		Completion of canopies and		
		metsheds, installation of lock		
		cylinders @ entrances	173,409	173,409
		CCTV system installation	5,372	5,372
564.65				
DC1-25	Syphax Gardens	Mechanical & Electrical	33,743	33,743
		Boiler & hot water system repa	5,124	5,124
		Fire damage	28,619	28,619
DC1-25	Langston Terrace	Mechanical & Electrical	37,988	37,988
		Roof access door		second and a second
		replacement; boiler & heating		
		system repairs	28,150	28,150
		TO VOICH HOMOHO	20.100	20,100
		Service & repair transformer va		9,838

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Developmen	t# Development Name	Work Item	Expend	liture
DC1-29	Sibley Plaza	Mechanical & Electrical	526,681	545,968
		A/C chiller repair; Roof fan		
		&belt replacement	2,764	2,764
		UFAS improvements	5,419	5,419
		Roof replacement	220,450	210,450
		Boiler repair	4,979	210,450
		Roof replacement	293,069	116,885
DC1-30	Hopkins Apts	Mechanical & Electrical	260,433	260,433
		Fire damage	52,693	52,693
		UFAS improvements	207,740	207,740
DC1-34	Park Morton	Mechanical & Electrical	53,686	53,686
DO 1-04	Fair Motor	Water and heating pipe repair	33,000	93,000
		in basement	4,306	4,306
		Fire damage	49,380	49,380
		Fire damage	49,300	49,360
	,	Site Improvements	110,600	110,600
		UFAS improvements	110,600	110,600

DC1-36a	Woodland Terrace	Mechanical & Electrical	31,194	31,194
		Electrical upgrade of 153		
		units; boiler installation; hot		
		water system repair	31,194	31,194
		Site Improvements	96,642	96,642
		Security lighting; sidewalk repa	96,642	96,642
DO4 OCh	Mantualni Caurta	Mechanical & Electrical	0.707	6.707
DC1-36b	Kentucky Courts		8,737 3,239	8,737
		Hot water heater repair Fan coil installation	<u> </u>	3,239
		ran con instanation	5,498	5,498
		Site Improvements	47,900	47,900
		Security lighting	47,900	47,900
		County ignaing	47,000	47,000
DC1-36c	Carroll Apartments	Site Improvements	525	525
50.00		Door control system	525	525
DC1-37	Garfield Terrace	Mechanical & Electrical	256,097	243,040
		Installation of A/C unit	3,446	3,446
		Fire damage	90,000	76,943
		UFAS improvements	162,651	162,651
DO4 00	1.2			
DC1-39a	LeDroit	Mechanical & Electrical	211,011	211,011
		Boiler rooms renovation;	400 700	400 700
		mechanical upgrade	129,782	129,782
		UFAS improvements	81,229	81,229
DC1-40	Langston Addition	Mechanical & Electrical	14,138	14,138
エレノしょ こうかくし	į Langstvii Additivii	INICONDINICAL OF ELECTRICAL	14,130	14,130
		Exhaust fans replacement	14,138	14,138

Developmer			Expend	liture
DC1-43	Potomac Gardens	Mechanical & Electrical	159,115	159,115
		Fire damage	159,115	159,115
DC1-44	Montana Terrace	Mechanical & Electrical	67,489	67,489
		Unit renovation	20,000	20,000
		Hot water heater repair;		
		emergency furnace repair	24,998	24,998
		UFAS improvements	22,491	22,491
DC1-53	Highland Dwellings	Mechanical & Electrical	29,042	29,042
		Furnace installation & heating		
		system repairs	11,552	11,552
		Fire damage	17,490	17,490
DC1-58	Scattered Sites	Mechanical & Electrical	4,471	4,471
00.00		Window replacements	4,471	4,471
			.,,,,	-,,,,,
DC1-58	Wade Apts	Mechanical & Electrical	53,677	20,128
		Parts for heat repairs	540	540
		UFAS ramps	19,588	19,588
		UFAS unit renovation	33,549	
DC1-60	Claridge Towers	Mechanical & Electrical	992,824	512,342
		UFAS improvements	65,762	65,762
		Fire alarm relocation and		
		reprogramming for UFAS units	21,846	21 046
		Renovation of 13 units	343,420	21,846 343,420
		UFAS upgrade of laundry room	47,765	47,765
		Renovation of front wall	514,031	33,549
		Renovation of nork wall	014,001	30,049
DC1-61	Knox Hill	Mechanical & Electrical	79,296	
00.0.		UFAS improvements	56,889	
		UFAS improvements &	53,555	
		replacement of heat pump	22,407	
DO4 60	Harizan Harras	Mechanical & Electrical	E44 E00	E44 E90
DC1-62	Horizon House	UFAS improvements	511,589	511,589
		UFAS improvements	15,309 496,280	15,309 496,280
		OF AS improvements	490,200	490,200
DC1-65	Judiciary House	Site Improvements	4,336	4,336
DO 1-00	oddicial y Flouse	Repair of sanitary sewer line	4,336	4,336
				3,33
DC1-68	Harvard Towers	Mechanical & Electrical	324,311	324,311
		A/C repair	3,806	3,806
		Fire alarm system replacement	38,775	38,775
		UFAS improvements	24,588	24,588
		UFAS improvements	257,142	257,142
DC1-69	Regency House	Mechanical & Electrical	36,734	23,142
	itegality ilouse	Replacement of cooling tower	36,734	23,142

Development#	Development Name	Work Item	Expend	iture
DC1-70	James Apts	Mechanical & Electrical	267,898	267,898
		Chiller replacement	133,569	133,569
		Chiller replacement	109,329	109,329
		Chiller replacement	25,000	25,000
DC1-80	Scattered Sites	Mechanical & Electrical	2,691	2,691
		Furnace installation	2,691	2,691
DC1-95	Columbia Road	Mechanical & Electrical	48,700	48,700
		Installation of emergency generator	48,700	48,700
DC1-104	Wheeler Creek	Mechanical & Electrical	11,121	11,121
		UFAS improvements	11,121	11,121
Total			12,023,720	10,031,216

Appendix D: Supportive and Enrichment Services						

- Vancousses	Sponsoring Agency	Contact Information	Description of Services
	DC Public Schools		serves daily breakfast and lunch to youth ages 18 and under during summer
	Arthur Capper Family Resident Council	Gwen McDonnell	Community food pantry
Arthur Capper	Mason Youth Outreach Program		provide monetary and other support for Resident Council sponsored Chirstmas, Thanksgiving, Family Day, Easter events and field trips
Family	Capitol Hill Group Ministry	Emily Guthrie	case management, rental assistance
	Arthur Capper Family Resident Council	Gwen McDonnell	<u>Adululezming program</u>
	Georgetown Mobile Medical Clinic	Dr. Matthew Levy	provides routine medical check-ups to youth on van
	Arthur Capper Carrollsburg CDC	Steve McCoy	provides job search assistance, career training, and placement to TANF recipients
Arthur Capper			provides case management, coordinates transportation, serves home bound meals for
Senior	United Planning Organization	Brenda Reynolds	elderly residents, congregate meal program
	ROSS Grant	Fletcher Jones	
	DC Dept of Parks & Rec	Tanya Cousins/ John Brown	mall walking exercise, shoppping, senior special events and activities

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Key: Programmatic Focus	_	i.	5	
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	Capitol Area Bank	Marian Peele	delivers fresh produce and other groceries to the site for distributin to the tenants
	CHOICE, INC	Ms. Lyles/ Dorothea Ferrell	implements after school tutorial program for high school aged youth who have been expelled to keep them on track during the time they are expelled from school
Barry Farm	GED program		offersiorassesummath readings and computer for any saturations of the sumounding community done imperimenship with Ballous Stis.
Dwellings	DC Healthy Start	Decosta Brown	pregnant mothers and fatherhood program
	DC Healthy Start	Decosta Brown	medical mobile clinic
	DC Public Schools		serves daily breakfast and lunch to 50 youth ages 18 and under during summer
	Capitol Area Food Bank	Marian Peele	delivers fresh produce and other groceries to the site for distributin to the tenants
	ROSS grant	Dorothea Ferrell	Youth computer classes
Benning			Overseer of the Community Resource Center and Youth Community Center. Oversees an Outreach
lerrace	East of the River Clergy Police Community Partnership (ERCPCP)	Deann Ayer	Team comprised of members of several different organizations, including the Resident Council
	Benning Terrace Youth Opportunities (BTYO)	Charles Penny	Train and equip adults working with youth. Run programs with youth out of the Youth Community Center. Member of the Outreach Team.

	Family Workforce Health & Wellness SalitHella	Enhancement Preparation	
-ocus	Elderly &	Disabled	
Key: Programmatic Focus			

Alliance o Metropoli Reaching (RISE, In Program Arthur C CDC CDC CDC Clinic Carroll Senior Carroll Senior	Alliance of Concerned Men Metropolitan Police Dept. Reaching Inside for Self-Esteem (RISE, Inc.) Domestic Violence Intervention Program Arthur Capper Carrollsburg CDC Capitol Hill Group Ministry Georgetown Mobile Medical Clinic DC Public Schools Carroll Senior Resident	Rico Rush Deann Ayer Howard Newell Sandra Chaney Steve McCoy Emily Guthrie Dr. Matthew Levy	Collaborating with BTYO to engage males, including atrish males, between the ages of 7-18 in life skills workshops and group sessions where mentoring will take place. Member of the Outreach Team. Incressed to the Outreach Team. Incressed to the Outreach Team. Run an after-school and summer program for youth ages 5-15. Facilitate monthly workshops around health and beauty with the underlying theme of promoting domestic violence awareness, and creating strategies to diminish domestic violence. Provides job search assistance, career training, and placement to TANF recipients case management, rental assistance provides routine medical check-ups to youth on van serves daily breakfast and lunch to youth ages 18 and under during summer
	Carroll Senior Resident Council	Arneatha Slade	fitness center
Pod	Podiatrist House Calls		TOOL GOCIOL VISIUS TEHRIUS III HOITIE

Key; Programmatic Focus	outh Elderly & Family Workforce Health & Wellness Sailshelm Preparation	
rammatic Foc	Children & Youth	
Key: Prog	Children	

	DC Dept of Parks & Rec	Tanya Cousins/ John Brown	mall walking exercise, shoppping, senior special events and activities
	United Planning Organization	Brenda Reynolds	Home bound delivered meals
Claridge	DC Dept. of Parks & Recreation	Benny McCottry	coordinates a wide variety of recreational and educational activities for seniors
Towers	Greater Washington Urban League	Ms. Fox	serves daily lunches to seniors
Columbia Road	nothing in progress currently		
Elvans Road	nothing in progress currently		
Fort Dupont			
Dwellings	Fort Dupont Resident Council	Dionne Petty	Computer Classes.

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Key: Programmatic Focus	Children & Youth	
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delivers fresh produce and other groceries to the site for distributin to the tenants	provides computer classes for interested residents.	serves daily breakfast and lunch to 50 youth ages 18 and under	coordinates a wide variety of recreational and educational activities for seniors.	coordinates and facilitates sewing classes for interested residents	Sunday/Waship Service for interested	serves breakfast and lunch to children during	the summer months provides supplemental foods and other nono-	food items for families in need	after-care and summer program for working families with children.	provides computer classes and job preparation workshops	delivers fresh produce and other groceries to the site for distribution to the residents.
Marilyn Boone	Resident Council (Glen Geter)	Vera Williams	Peggy West	Ruth Camp	Prayer & Praise	Lincoln Jenkins	Resident Council	(Lethia Summers)	Rosemary Akinmboni	Bernadette Gross	Marilyn Boone
Capitol Area Food Bank	Computer Lab	Greater Washington Urban League	DC Dept. Parks & Recreation	Sewing Class	Worship Service		DC Dept. Parks & Recreation	Community Food Pantry	Garfield Terrace Academic Learning Center	Howard University Center for Urban Progress	Capitol Area Food Bank
		Fort Lincoln					Garfield	Terrace	Family		Garfield Senior

	Elderly & Family Workforce Health & Wellness Station	
Kev: Programmatic Focus	k Youth Elderly & Disabled	
Kev: Progra	Children & Youth	

	Computer Lab	Resident Council (Anne Mitchell)	Computer Lab open daily for resident use
	Department of Mental Health	Denise Brown	provides case management and outer supportive services for the residents of Garfield Terrace
	DC Dept. Parks & Recreation	Benny McCottry	coordinates a wide variety of recreational and educational activities for seniors.
	Garfield Senior Resident Council	Resident Council (Anne Mitchell)	Trips, fundraisers, monthly birthday celebration, etc.
	Yeshua Ministries		provided supplemental food services to interested seniors.
Greenleaf			The Brown Bag Program Provides supplemental food and other non-food
Extension	Capitol Area Food Bank	Marilyn Boone	supplies to eligible seniors.
			coordinates after-school recreational &
1000			educational activities for youth in the
Greenlean	DC Dept. Parks & Recreation	Marcus Ellis	Southwest community
	DC Dept. Parks & Recreation	Lincoln Jenkins	serves breakfast and lunch to children during the summer months
Greenleaf		Resident Council	holdsweeth Bible Studwisessions and
Senior	Bible Study/Prayer Meeting	(Mary Sessoms)	ng ayers meelings normicinesied mealdents
		Resident Council	
	Computer Lab	(Mary Sessoms)	Computer Lab open daily for resident use
77	Company of the Assessment of the Company of the Com	anthoning Familiae I	sols Strongthoning Families Improving Communities?

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coordinates a wide variety of recreational and educational activities for seniors	Commodity Food Program	Provides supplemental food services to eligible residents	provides case management, coordinates transportation, serves home bound meals for	elderly residents, congregate meal program		Food program	delivers fresh produce and other groceries to the site for distribution to residents	Commodity Food Program	coordinates a wide variety of recreational and educational activities for seniors	provides supplemental food services to interested seniors			feeding and clothing program	HIV/AIDS program (include support group, tips on maintaining health- massage therapy
Benny McCottry	David Brewer	***************************************		Brenda Reynolds		Ronnie McLean	Marian Peele		Benny McCottry		More More	जानाट <u>श्</u> रवाजा		
DC Dept. Parks & Recreation	Southwest House	SHARE		United Planning Organization	Barney Neighborhood House		Capitol Area Food Bank	Dept. of Health	DC Dept. Parks & Recreation	Vochus Minietries	Highland Addition Resident	Highland Addition Resident	Council	RISE, Inc
							Lordron	Towers				Highland	Addition	

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	Highland Dwelling Resident Council	Louise Dixon	used ROSS grant to operate afterschool enrichment program
Highland	Highland Dwelling Resident Council	Louise Dixon	Adulticomodiferedirectionsisses
Dwellings	DC Public Schools		serves daily breakfast and lunch to youth ages 18 and under during summer
	Kids Konnection		asssit the resident council with special events and activites including Christmas, Thanksgiving
Hopkins	Hopkins Bovs and Girls Club	Tyrone Mahoney	offers afterschool enrichment program for Hopkins youth, also sponsors summer program
Apartments	Capitol Area Food Bank	Marian Peele	delivers fresh produce and other groceries to the site for distributin to the tenants
	Computer Lab	Resident Council (Ronald Williams)	Open for resident use
Horizon House	Emmaus		coordinates a wide variety of recreational and educational activities for seniors
	Exercise & Fitness Center	Resident Council (Ronald Williams)	Open daily for resident use
James Apartments	Computer Lab	Resident Council (Grace Alford)	Open daily for resident use
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Provides exercise classes for interested residents	serves daily lunches to seniors	Provides sewing classes, exercise sessions, shopping, bingo, cards, arts & crafts, trips, etc.	Commodity Food Program	Community comes receiver annually to relieve snow.	Provides Adult Education Programs such as GED and computer classes.	The Brown Bag Program Provides supplemental food and other non-food	supplies to eligible seniors.	serves breakfast and lunch to children during the summer months	provides routine medical check-ups to youth on van	Coordinates a wide variety of recreational and educational activities for seniors.	Provides supplemental foods to interested seniors	
Dr. Jacobs	Brenda Turner	Resident Council (Grace Alford)	Ms. Washington	Resident Council (Phyllis Martin)			Marilyn Boone	Lincoln Jenkins	Dr. Matthew Levy	Benny McCottry	Resident Council (James Irving)	
Erxercise Classes	Greater Washington Urban League	James Resident Council	Walker-Jones	Annual Clean-up Campaign	Friendship House		Capitol Area Food Bank	DC Dept. Parks & Recreation	Georgetown Mobile Medical Clinic	DC Dept. Parks & Recreation	Surplus Food Program	
					James Creek					Judiciary	House	

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Annual resident celebration sponsored by the Resident Councils w/ food, music, bingo, etc.	delivers fresh produce and other groceries to the site for distribution to residents	Provides used clothing to individuals and families in need	Serves breakfast and lunch to children during the summer months	Open during Resident Council office hours for resident use	Run an after-school and summer program for youth ages 5-15.	ohn mall walking exercise, shoppping, senior special events and activities	delivers fresh produce and other groceries to the site for distributin to the tenants	delivers fresh produce and other groceries to the site for distributin to the tenants
Resident Council (Raymond Wright)	Marian Peele	Resident Council (Raymond Wright)	Lincoln Jenkins	Resident Council (Raymond Wright)	Howard Newell	Tanya Cousins/ John Brown	Marian Peele	Marian Peele
Annual Kelly Miller/LeDroit Day	Capitol Area Food Bank	Food & Clothing Distribution	DC Dept. Parks & Recreation	Computer Lab	Reaching Inside for Self-Esteem (RISE, Inc.)	DC Dept of Parks & Rec	Capitol Area Food Bank	Capitol Area Food Bank
		Kelly Miller			Kenilworth/ Parkside	Kentucky Courts Senior		Knox Hill

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Senior		reministration (1999)	used Ross funding to sponsor a mulfinernational summer program (youth
	Knov Hill Resident Council	Fvelvn Scott	summer camp housed in senior building seniors invited to work with program)
		Tomor Conoing/ John	mail walking eversise shonning senior
	DC Dept of Parks & Rec	Brown	special events and activities
	Senior Counseling Delivery		provides case management, coordinates transportation, serves home bound meals for
	Services	Concha Johnson	elderly residents, congregate meal program
	Knox Hill Resident Council	Evelyn Scott	sevingiscompater mai sic Gasses
landston	Edgewood-Brookland Family Support		
Duchling	Collaborative	Ron Smith	Family Support Collaborative
Dweiligs	4	Dow Michael Bridgewater	Mama-baby bus (mobile clinic), Unity Healthcare, Prevention works, mobile health and treatment
	Assembly of Petworth	T it Oiler	Community Houlth Outrooch
	Planned Parenthood	Evita Grigsby	Community Health Quiteach
	Constitution of the state of th	Conv. Cmith	Afterschool program using therapeutic drama and
	Voice in Motion Players		COLINC:
	UDC/PIW (Psychiatric Institute of		Drug and substance abuse program, psychiamic
	Washington)	Ray Michael Bridgewater	therapy
	Friendship House	Mr. Beal	olding Ean Complexion CED Pogen
	Langston Dwellings Resident Council	Ms. Janice McCree	Topode Bonnach de Control de la Control de C
	The state of the s		Facilitate monthly workshops around health and beauty
			with the underlying theme of promoting domestic
	Domestic Violence Intervention	Sandra Chanav	Violence awareness, and creating strategies to unumburdemestic violence
	Frogram	Salidia Cilciloy	Description in the property of Desident Council

"Empowering Individuals, Strengthening Families, Improving Communities"

| Provide pro bono services to Resident Council Glenda and Martin Sloane | regarding Grievance Procedures

Glenda and Martin Sloane, Attorneys

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	TechNet DC Renie Clinic (Dept. of	Stephanie Myers	Provide training and technical assistance to Resident Council members and staff to build capacity as a non-profit organization. Yoga and Exercise Classes, Massages Therapy,
	Health/Assembly of Petworth)	Ann Haywood	Nutrition Classes
	Annual Kelly Miller/LeDroit Day	Resident Council (Emma Shelton)	Annual resident celebration sponsored by the Resident Councils w/ food, music, bingo, etc.
Anartments	Barney Neighborhood House	Ms. Murry	Lunch Program
	DC Dept. Parks & Recreation	Benny McCottry	Coordinates a wide variety of recreational and educational activities for seniors.
	Crisis Center	Resident Council (Ms. Rebecca Stamps)	ofotanighten) endeen dietziefenet Community oorgeoon Babysiting searce Comsettigistatiess
<u> </u>	Davbreak Ministries	Julie Harper	After-school program, Saturday Outreach, Mentor Program
Lincoin Heights	DC Healthy Start Project	Dept of Health	Free Screening, testing and education on HIV/AIDs and other health-related issues.
		Metropolitan Police Dept.	Monthly meetings held to discuss problems and concerns around crime and other activities on the
	PSA 603 Meetings	(Et. Wullk)	Nichold Commencer (Commencer)
Lincoln Road	nothing in progress currently	MANAGEMENT CONTRACTOR	
The state of the s			
Park Morton	Alliance of Concerned Men	Tyrone Parker	Provides youth violence prevention, life skills workshops, etc.

"Empowering Individuals, Strengthening Families, Improving Communities"

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Serves breakfast and lunch to children during the summer months	Exercise equipment available for resident use	Sunday School, Puppet Show, Holiday Food & toy Distribution, Clothing & Food Pantry,	etc.		Mission Possible Youth Program	Language designation designati	Recreational outreach program	provides routine medical check-ups to youth	and mental health services to children in ward	9	mall walking exercise, shoppping, senior	special events and activities	provides case management, coordinates	transportation, serves home bound meals for	elderly residents, congregate meal program		food pantry		compuer and sewing classes
Lincoln Jenkins	Resident Council (Marie Whitfield)	Resident Council	(Marie Whitfield)		Lorraine Leonard	410000000000000000000000000000000000000	Jacqueline West			Dr. Matthew Levy	Tanya Cousins/ John	Brown			Brenda Reynolds		Ella Baldwin		Ella Baldwin
DC Dept. Parks & Recreation	Exercise Center		Park Morton Resident Council		Captiol Hill Group Ministry	Little Light Youth Outreach	7th Day Adventist		Georgetown Mobile Medical	Clinic		DC Dept of Parks & Rec			United Planning Organization	Potomac Senior Resident	Council	Potomac Senior Resident	Council
				The second secon			Potomac	Family	^					Potomac	Gardens	Senior			17.7

"Empowering Individuals, Strengthening Families, Improving Communities"

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	Workforce Preparatio	and the same of the same and the same and the same of the same
	Family Enhancement	
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	Jacob Dood Dank	Morion Doolo	delivers fresh produce and other groceries to
	Capitol Alea Food Bally	Walai - Gala	THE SHE IST CHARLES IN CONTROLLED
		Resident Council	
	Exercise Room	(Shirley Pettus)	Open daily for resident use
Regency	IONA Senior Services	Darryl Pennington	Commodity Food Program
House		Resident Council	
	Library/Computer Lab	(Shirley Pettus)	Open daily for resident use/computer classes
	University of the Disrict of		
	Columbia	Dr. Fields	Companion Aide Program
	Regency House Resident	Resident Council	Bible Study, Bingo, Cards, Trips, Monthly
	Council	(Shirley Pettus)	Birthday Celebration
Richardson			
Dwellings	No programs currently running.	And the second s	
			Provides youth violence prevention, life skills
	Alliance of Concerned Men	Tyrone Parker	workshops, etc.
Scattered	***************************************	Resident Council	provides arts & crafts workshops for interested
Sitor	Arts & Crafts	(Ruth Peak)	residents
2010		Docident Collection	Onen during Resident Council business hours

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Open during Resident Council business hours for resident use

Resident Council (Ruth Peake)

Physical Fitness Program

Computer Lab

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	DC Boothy Start Charlered		
	Health Care	Decosta Brown	pregnant mothers and fatherhood program
	DC Public Schools		serves daily breakfast and lunch to youth ages 18 and under during summer
	Project 2000	Spencer Holland	afterschool and summer enrichment program includes tutorial
	Woodland Terrace Resident Council	Geraldine Coward	Lansgton Hook-a-Kid Golf program offers weekly golf lessons during tutoring in academics
	DC Kids Connection		special events and activites program
Woodland	Family and Medical Counseling and Delivery Services	Corey Alexander	Youth HIV/AIDS education and prevention program
2 2 2 2 3 4	Johns Hopkins University		Adults Healthy Eating Program educating tenants on how to eat properly to maintain/managing health problems
	Unity Helath Care	Dr. Keane	Medical Clinic
	Covenant House Washington		assists youth that are having challenges with currently living environment- offering referrals to jobs, education, housing resources
	Capitol Area Food Bank	Marian Peele	delivers fresh produce and other groceries to the site for distributin to the tenants
·	Woodland Terrace Resident Council	Geraldine Coward	lijbigan.
Wheeler Creek	Wheeler Creek CDC	Bessie Swann	case management

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	y & Family Workford ed Enhancement Preparation
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Appendix E: Independent Audit for FY 2004—Most recently completed

DISTRICT OF COLUMBIA HOUSING AUTHORITY Washington, D.C.

FINANCIAL STATEMENTS September 30, 2004

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Independent Auditor's Report

Board of Commissioners District of Columbia Housing Authority Washington, D.C.

We have audited the accompanying basic financial statements of the District of Columbia Housing Authority (the Authority) as of and for the year ended September 30, 2004 as listed in the Table of Contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2004, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 17, 2005, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation

of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying information identified in the Table of Contents as supplemental information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Genderson LLP

Baltimore, Maryland June 17, 2005

1. Introduction

A. Purpose

The District of Columbia Housing Authority (DCHA) was established for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering low-income housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make grants to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low rent character of the local housing program.

As management of the DCHA, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

It is important to point out that the DCHA expended nearly \$240 Million for the benefit of low-income households residing in the District of Columbia. The Agency has progressed significantly over the prior years and is a major provider of much needed housing, housing services and social programs. This audit report is intended to reveal the significance of strong fiscal management on the advancement of the Authority's goals.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Authority's Executive Director or the Deputy Executive Director for Administration.

B. Reference Financial Statements

The financial statements included in the IPA Audit and referenced in this annual report are those from the perspective of a special-purpose government engaged in a business-type activity, or Enterprise Fund. Enterprise Fund financial statements organize financial reporting around related activities in a manner similar to the private sector. The Financial Data Schedule, a required annual HUD report providing standardized definitions and organization of all Authority funds, provides the basic data from which the following statements are derived. These financial statements are then the basis for analysis throughout this document:

• <u>Statement of Net Assets</u>, All Enterprise Funds – reports the Authority's current financial resources (short term spendable resources) with capital

assets and long-term debt obligations at a specific date, in this case as of the DCHA's Fiscal Year ended September 30, 2004.

- Statement of Revenues, Expenses, and Changes in Fund Net Assets reports
 the Authority's operating and non-operating revenues and expenses for the
 entire DCHA 2004 Fiscal Year. This statement reports by major source along
 with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows reports the Authority's cash flows from operating, investing, capital and non-capital activities during the DCHA 2004 Fiscal Year.

This analysis of net assets, revenues, and expenses is provided to assist with the assessment of the Authority's fiscal health and stability. This analysis includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. This analysis also reflects the Authority's net assets and changes in them. The Authority's net assets are the differences between what the Authority owns (assets) and what the Authority owes (liabilities). Net assets are an important measure of the Authority's financial position.

Over time, changes in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating. Readers also need to consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets to assess the overall health of the Authority.

C. Basis of Accounting / Enterprise Funds

Presentation and organization of the DCHA's financial statements is on the basis of Enterprise Funds. Each Enterprise Fund is defined as those individual fund accounts that are related to the delivery of a specific HUD program or a similar business direction. Each individual fund account, within each Enterprise Fund, is considered a separate accounting entity with a set of self-balancing accounts for the recording of assets, liabilities, fund equity, revenues, and expenses.

DCHA has organized its inventory of individual funds into three Enterprise Funds:

- PHA Owned Housing Fund This Fund accounts for all activities and projects of the Public Housing Program and includes the following individual funds:
 - Public Housing
 - o Admin Loan Fund
 - Comprehensive Grant Program
 - o Development Program
 - Public Housing Capital Fund Program
 - HOPE VI
 - State/Local

- Resident Opportunities in Self Sufficiency (ROSS) Program
- Section 8 Enterprise Fund
 - New Construction / Substantial Rehabilitation
 - Housing Choice Voucher Program
 - o Modernization / Rehabilitation I
 - Modernization / Rehabilitation III
 - Modernization / Rehabilitation V
 - Modernization / Rehabilitation VIII
 - Modernization / Rehabilitation IX
 - Modernization / Rehabilitation Single Room Occupancy (SRO)
- Business Activities
 - Construction Services Administration (CSA)
 - Other Funds

2. DCHA Consolidated Financial Position

A. Statement of General Financial Condition

The District of Columbia Housing Authority's financial position at the end of FY2004 as compared to the end of FY2003 has improved due to the HUD approval of 2003 and 2004 Section 8 funding as part of the Moving-To-Work program authorizations.

Additionally, in FY2004, The District of Columbia Housing Authority has greatly increased the amount of capital projects underway, clearly displaying the Authority's priority to provide the maximum service to the residents of the District of Columbia by improving current housing stock and investing in the creation of new units through innovative HOPE VI and mixed-finance development programs.

The Authority's financial condition is strong, with reserves (unrestricted net assets) in excess of 3 months of expenditures, with a current ratio of 1.74, and with net current assets in excess of \$78.6 million.

B. Financial Highlights

- As of September 30, 2004, the assets of the Authority exceeded its liabilities by \$386,984,264 (value of net assets).
- The Authority's cash and cash equivalents balance as of September 30, 2004 was \$33,665,866, which was a increase of \$1,348,830 from September 30, 2003, indicating a very stable cash balance.
- The Authority had operating revenues (net capital grants contributions and interest income) of \$227,307,474 and total operating expenses before depreciation of \$216,897,079 for the year ended September 30, 2004. Income from operations before depreciation reflected an operating gain of \$10,410,394.
- Depreciation expenses were recorded for a total of \$22,031,993 for the period ended September 30, 2004.

3. Analysis of Net Assets, Liabilities, and Equity/Reserves

A. Analysis of Net Assets

Net Assets are defined simply as Total Assets, or what the Authority owns, less Total Liabilities, or what the Authority owes. Net Assets are an indicator of an organization's overall financial health and stability. Significant changes in Net Assets over time can signal improvement or deterioration. To fully assess the financial health of any Public Housing Authority, the reader must also consider other non-financial factors such a fluctuations in the local economy, changes in HUD program administration, and the demand to maintain physical assets.

Total Net Assets for FY 2003 was \$364,456,269 as restated, and FY2004 increased by \$22,527,995 to \$386,984,264. The table on the next page provides a summary of the changes in the DCHA Balance Sheet from year-end FY2003 to FY2004. The reader should keep in mind that the Statement of Net Assets cites the status of the Authority as a specific point in time, and that normal operations will have an impact on balances across time.

Reference Table on Next Page

3

Total Net Assets, By Enterprise Fund, and DCHA Total:

	Public Housing	ousing	Section Eight	ı Eight	Business	Business Activities		DCHA Total	***************************************
	2004	2003	2004	2003	2004	2003	2004	2003	Change
Current Assets	63,054,139	35,102,773	25,435,039	8,805,215	22,807,734	22,554,965	111,296,912	66,462,953	44,833,959
Fixed Assets (Net)	339,149,014	342,137,808	994,085	477,714	4,195,463	5,605,582	344,338,562	344,338,562 348,221,104	(3,882,542)
Other Assets	14,086,904	*	1	1	397,000	١	14,483,904	G.	14,483,904
Total Assets	416,290,057	377,240,581	26,429,124	9,282,929	27,400,197	28,160,547	470,119,378	470,119,378 414,684,057	10,601,362
Current Liabilities	54,730,260	24,822,294	3,156,592	2,079,928	20,006,400	23,219,342	77,893,252	77,893,252 50,121,564	27,771,688
Non-Current Liabilities	5,241,862	12,564,516	t	175,764	ı	1	5,241,862	5,241,862 12,740,280	(7,498,418)
Total Liabilities	59,972,122	37,386,810	3,156,592	2,255,692	20,006,400	23,219,342	83,135,114	83,135,114 62,861,844	20,273,270
Invested Capital	329,269,670	325,065,270	994,085	477,714	4,195,463	497,939	334,459,218	334,459,218 326,040,923	8,418,295
Unrestricted	27,048,265	14,788,501	22,278,447	6,549,523	3,198,334	4,443,266	52,525,046	52,525,046 25,781,290	26,743,756
Total Net Assets	356,317,935	339,853,771	23,272,532	7,027,237	7,393,797	4,941,205	386,984,264	386,984,264 351,822,213	35,162,051
Total Liab & Net Assets	416,290,057	377,240,581	26,429,124	9,282,929	27,400,197	28,160,547	470,119,378	470,119,378 414,684,057	55,435,321

Discussion of Table on previous page:

- Cash and equivalents increased incrementally, by \$1,348,830 from year-end FY2003 to year-end FY2004. Please note that DCHA has set aside \$3.1 million dollars in cash per the loan covenants to the Bank of America as part of collateralization. These funds are not recorded on the Financial Statements.
- Accounts receivable activity changed dramatically from the previous year. DCHA recorded a \$31,381,864 receivable in FY2004 from HUD. This represents the proceeds negotiated with HUD as adjustments to previous year MTW Program authorizations.
- Long Term liabilities displayed a favorable decrease from FY2003 to FY2004 represented by one significant change:

"Long Term Debt Net of Current" contains the debt associated with Bank of America loans and was reduced by \$7,687,007 from 2003 to 2004 as a result of recording the current portion of the debt. (See Section 3 (b)).

B. Composition of Long Term Debt and Future Commitments

Long Term Debt in 2004 is comprised of two loans that were used to support major rehabilitation and modernization of public housing units at several DCHA developments:

1. Loan payable to Bank in semi-annual installments of \$878,041 including interest at 5.06%. This loan matures on November 9, 2006 and is secured by future receipts of capital fund grant monies.

Balance at September 30, 2004 = \$4,086,691

2. Loan payable to Bank in semi-annual installments of \$3,019,798, including interest at 7.15%. This loan matures on July 1, 2005 and is secured by future receipts of capital fund grant monies.

Balance as of September 30, 2004 = \$5,792,693

Total Long Term Debt in 2004 then equals \$9,879,344 of which \$7,373,094 is considered current and payable in next fiscal year. Non-current Long Term Debt therefore is stated at \$2,506,250.

DCHA has entered into a Memorandum of Agreement with the District of Columbia Department of Human Services to provide construction management services for the construction of its new Youth Service Center, group homes and the renovation of several facilities. The estimated amount of this Agreement is \$42,000,000 over three years. A cash advance has been provided to the

Authority associated with this Agreement; see discussion of CSA funds in above section on "Other Non-Current Liabilities."

C. Accrual for Litigation Losses

DCHA recognized potential litigation losses in the period in which the occasion giving rise to the litigation occurred. Where losses are probable, a reasonable estimate is accrued as a current liability. As of September 30, 2004 the Authority accrued approximately \$946,000 in litigation losses. This amount is included in "Other Current Liabilities" on the DCHA basic financial statements.

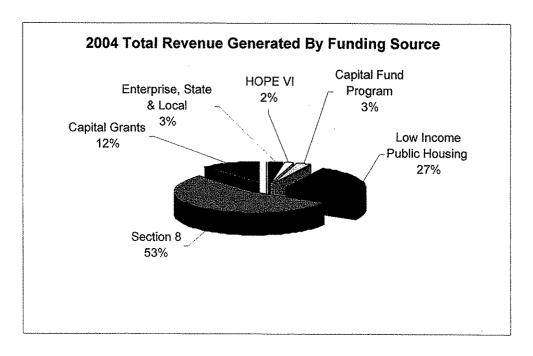
4. Revenue and Expenses

A. Revenues, By Fund Category

The Authority administers the following programs and the total revenues generated from these programs during FY 2004 were as follows:

Low Income Public Housing		\$71,118,690
Section 8		
Housing Choice Voucher	\$117,694,594	
Mod. Rehabilitation	\$8,671,537	
Sub. Rehabilitation / New Construction	\$12,935,407	
Total Section 8		\$139,301,538
Capital Fund Program (Soft)		\$7,899,158
HOPE VI (Soft)		\$5,079,349
Enterprise, State & Local		
Business Activities	\$3,888,005	
State & Local	1,669,982	
		\$5,557,987
Other		\$7,181
Operating Revenues DCHA 2004		\$228,963,903
Capital Grants(Hard)		\$32,493,165
Total Revenues		\$261,457,068

The chart on the following page illustrates the percentage of revenues generated from these programs by the Authority during FY 2004.



Total revenues (net interest income) in FY 2003 were \$222,444,693 and in FY 2004 total revenues were \$261,457,068. Total increase was \$39,012,375 or 17.54% as reflected by program detail below:

Revenues By Program, Comparison 2003, 2004:

Funding Source	2004	2003	Incr./(Decr.)	% Chng.
Low Income Public Housing	\$71,118,690	\$61,289,282	\$9,829,400	16.04%
Section 8	\$139,301,538	\$105,383,523	\$33,918,015	32 19%
Capital Fund Program	\$7,899,158	\$5,523,915	\$2,375,243	43.06%
HOPE VI	\$5,079,349	\$6,106,836	(\$1,027,487)	-16:83%
Enterprise, State & Local	\$5,557,987	\$5,822,078	\$264,091	10.91%
Resident Services	\$0	\$2,229,205	(\$2,229,205)	-100.00%
Other Federal	\$7,181	\$11,749	(\$4,568)	-38.88%
Operating Revenues	\$228,963,903	\$186,366,588	\$43,496,315	23.34%
Capital Grants	\$32,493,165	\$36,078,105	(\$3,584,940)	-9.94%
Total Revenue DCHA	\$261,457,068	\$222,444,693	\$39,911,375	17.94%

Low Income Public Housing shows an increase in revenues from FY 2003 to FY 2004, the primary contributor being "Other Revenue" which includes various nontenant income sources. The large increase in the Section 8 Program was due to the combined impact of a), increased lease-up and a negotiated rental payment increase that resulted in a significant increase of Housing Assistance Payment (HAP) subsidy from HUD and b), the additional cash from HUD to adjust for previous year MTW fund calculations. The contributions from the Capital Fund Program to the Operating Revenue increased as a result of a significant increase

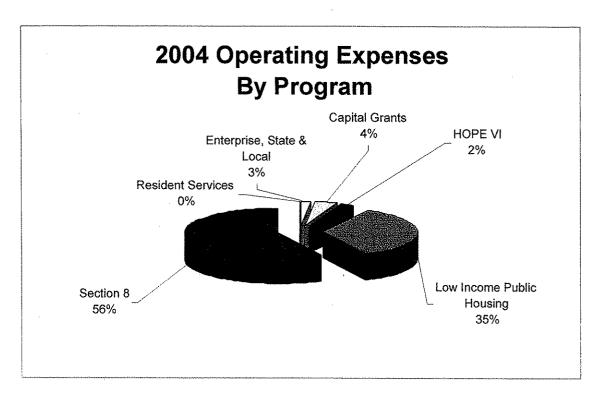
in Protective Services expenses that are supported through the Capital Grants. The decrease of HOPE VI activities was due to the use of final dollars from the East Capital and Highland demolition projects. Also, the increase in the Enterprise, State and Local Program was a result of a significant increase in Business Activities income, specifically from the Authority's affiliate entities. This increase in Business Activities was a key offset to the decreases in revenue for State and Local grants. The closure of all the specific DCHA social services grant programs determined the decrease in revenue under Resident Services.

B. Expenses, By Fund Category

The operating expenses (excluding depreciation expense) generated from Authority programs during FY 2004 were as follows:

Low Income Public Housing		\$76,502,007
Section 8		
Housing Choice Voucher	\$102,664,666	
Mod. Rehabilitation	\$8,341,767	
Sub. Rehabilitation / New Construction	\$11,951,869	
Total Section 8		\$122,958,302
Capital Grants		
Comp Grant Program	\$0	
Capital Fund Program	\$7,786,412	
		\$7,786,412
HOPE VI		\$5,079,349
Enterprise, State & Local		
Business Activities	\$2,152,528	
State & Local	\$2,368,432	
		\$4,520,960
Resident Services		
ROSS	\$42,869	··········
		\$42,869
Other Federal		\$7,181
Operating Expenditures		\$216,897,080
Depreciation Expense		22,031,993
Total Expenses DCHA		\$239,929,073

The chart on the following page illustrates the percentage of expenses for these programs by the Authority during FY 2004.



In FY2003 total expenses (excluding depreciation) were \$195,561,601. In FY 2004 they were \$216,897,079, an increase in direct operating expenditures from 2003 of \$21,335,478 or 10.91% as reflected in the program detail in the Table below.

Operating Expenses, By Fund Category, Comparison 2003, 2004:

Expense By Program	2004	2003	Incr./(Decr.) %	Chng.
Low Income Public Housing	\$76,502,007	\$72,082,870	\$4,419,137	6.13%
Section 8	\$122,958,301	\$105,044,804	\$17,913,498	17.05%
Capital Grants	\$7,786,412	\$5,523,915	\$2,262,497	40.96%
HOPEVI	\$5,079,349	\$6,106,836	(\$1,027,487)	-16.83%
Enterprise, State & Local	\$4,520,960	\$4,562,222	\$41,262	18.80%
Resident Services	\$42,869	\$2,229,205	(\$2,186,336)	-98.08%
Other Federal	\$7,181	\$11,749	(\$4,568)	-38.88%
Operating Expense	\$216,897,079	\$195,561,601	\$21,335,478	11.37%
Depreciation	22,031,993	20,769,372	\$1,262,621	6.08%
Total Expenses DCHA	239,929,072	216,330,973	\$23,598,099	10.86%

Importantly, and a positive outcome, the increase displayed by the Section 8 program is a direct result of the program serving significantly more households.

While expenses increased in Section 8 by \$17,913,498 from FY2003 to FY2004, over 97% of that was due to the increase in Housing Assistance Payments (HAP). This increase in HAP is tied directly to more effective unit lease-up that resulted in the increase of disbursements to the Section 8 landlords and tenants. The increase is also due in a smaller part to increases in rental payments in reaction to market forces which is required to maintain adequate landlord participation and assist to landlord outreach programs.

Expenditure decreases within Low Income Public Housing appear in administrative salaries and the associated benefits. All other expenses within the Low Income Public Housing program experienced incremental decreases from FY2003 levels.

The increase in the Capital Fund is due to a reallocation of Protective Services expenses from Public Housing to Capital Grants.

HOPE VI development activity in FY2004 was maintained, in general, at similar levels to FY2003. The decreases in expenditures correlate with the decrease in HOPE VI revenues and the closure of specific demolition activity.

Depreciation expense has increased in 2004 due to a rigorous physical inventory analysis which had the result of adding many items into the asset inventory that were lost through various types of activity in previous years. This process resulted in several changes to DCHA fixed asset administration to assure adequate acquisitions and disposal controls going forward.

C. Expenses, By HUD Control Category

Expenses expressed in this section do not include HAP payments and extraordinary maintenance expense.

Total DCHA expenses by HUD Control Category:

HUD Control Category	2004	2003	Change	% Change
Administration	33,481,558	29,101,246	4,380,312	15.05%
Administration S8	8,383,254	8,876,975	(493,721)	-5.56%
Tenant Services	4,878,645	5,857,955	(979,210)	-16.72%
Utilities	21,650,581	20,507,957	1,142,624	5.57%
Ordinary Maint. Ops.	18,676,153	21,061,837	(2,385,684)	-11.32%
Protective Services	7,534,064	8,603,148	(1,069,084)	-12.43%
General Expenses	9,121,021	4,666,456	(4,454,565)	95.46%
Total	103,725,276	98,675,574	(5,049,702)	5.12%

Categorically, Administrative Expenses decrease by \$493,721 in Section 8 and increased by \$4,380,312 associated with other programs. Primary contributors

to the increase were increased expenses in administrative salaries, employee benefits and compensated absences and private management fees.

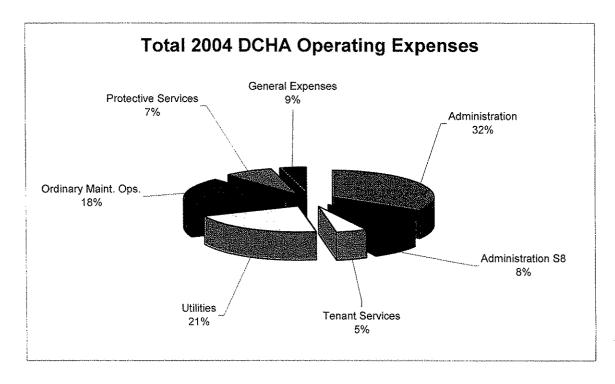
Tenant Services decreased by \$979,310, comprised of salaries and associated benefits and reductions in relocation costs associated with development activity. These salary reductions were offset by an increase in contract services (tenant services – other) of \$1,114,183.

Utilities increased nominally by \$1,142,624 or 5.5%.due to rate increases.

Ordinary Maintenance decreased by a total of \$2,385,684. All categories of this expense category displayed marked reductions for 2004. (Reductions were also achieved in the previous year). This was largely due to DCHA placing more housing units into modernization for capital rehabilitation work.

Protective Services expenditures decreased by \$1,069,084 in 2004 over 2003 to a total of \$7,534,064. The elimination of the Drug Elimination program removed a source of funds that supported Protective Services; in addition, with the closure and demolition of several large developments there was a reduced demand for the services and expenses decreased proportionately.

The following chart illustrates the percentage distribution of the Total Operating Expenses at DCHA for FY2004.



D. Surplus/Shortfall by Fund Category

Tables below are organized to coincide with the formal financial statements presented in the Audit in that HAP payments and depreciation expense are included in the "Operating Exp." "Other Rev./(Exp.)" includes interest income and transfers into and out of the various programs. Note that the sum of the "Surplus/Shortfall" column is equal to the change in Net Assets for the Authority from FY2003 to FY2004.

Surplus/Shortfall, By Fund Category 2004:

2004	Operating Rev.	Operating Exp.	Other Rev. /(Exp.)	Surplus/ Shortfall
Low Income Public Housing	\$71,118,690	\$76,502,007	(\$21,824,262)	(\$27,207,579)
Section 8	\$139,301,538	\$122,958,301	(\$97,942)	\$16,245,295
Capital Grants	\$7,899,158	\$7,786.412	\$18,493,261	\$18,606,007
HOPEVI	\$5,079,349	\$5,079,349	\$10,890,114	\$10,890,114
Enterprise, State & Local	\$5,557,987	\$4,520,960	\$3,000,000	\$4,037,028
Resident Services	\$0	\$42,869	\$0	(\$42,869)
Other Federal	\$7,181	\$7,181		\$0
Total DCHA 2004	\$228,963,903	\$216,897,079	\$10,461,171	\$22,527,996

The operating expenses indicated for those fund categories (Capital Grants, HOPE VI, and specific programs within the State & Local Fund) that are mandated to develop physical assets (Housing Units) are the costs of administering and managing those capital development projects. All other monies in these funds flow to support the actual development work. Monies are assumed to be fully spent due to the capital grant programs being based on full cost reimbursement.

The Resident Services grant programs are effectively ended at DCHA in FY2004. The provision of continued social services is specifically dependent upon the Authority's ability to pursue additional grants. The ability for DCHA to channel money to these services will be greatly reduced without these social services programs being self-funding.

For FY2004 an overall surplus enables the Authority to re-establish reserves and to provide added funding resources to achieve the MTW goals and directives as outlined in the annual MTW Plan(s).

5. Budget to Actual Expenses, By Major Programs

The Authority adopts a consolidated annual operating budget for all programs. Salaries and operating expenses are allocated in accordance with a "Cost Allocation Plan".

Within Public Housing Enterprise Fund, the Low Income Public Housing Program has the greatest operational activity of all the individual funds and is managed under its own Budget. The Section 8 Enterprise Fund, consisting of all the various Section 8 funds, is managed under its own consolidated Budget. These two programs, for this analysis, are considered the Authority's major operating programs.

DCHA operating budgets do not address depreciation or investment income as they are not driven by direct activity, therefore these items are not included in the presentation and analysis within this section.

The Capital Fund Program, which is another primary Source of funds to the Authority, is managed under its own Capital Plan. The Capital Fund Program is discussed separately in Section 6.

A. Low Income Public Housing

The Low Income Public Housing Program ended the fiscal year with a Net Operating Shortfall before Depreciation (Provision for Operating Reserve) in the amount of \$5,383,317. (See table below.)

Operating revenues were \$71,118,690. Receipts from HUD Operating Subsidy did not meet Budget expectations. Transfers from other DCHA program were required to offset the revenue shortfall.

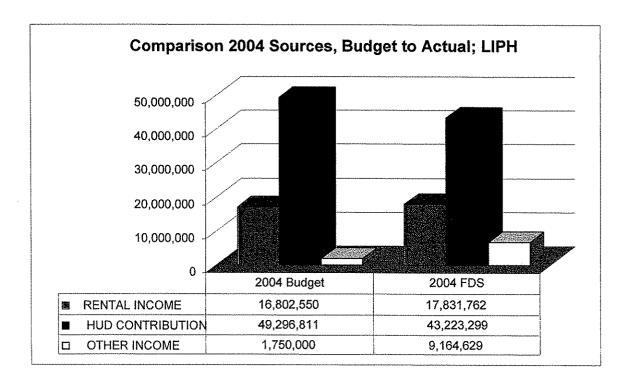
Operating expenses net of depreciation expense were \$76,502,007. The General Expenses category displayed expenses well under the budgeted amount for the category. This category includes the expenses associated with insurance premiums, PILOT, and bad debt. The Administrative Expenses category expenses were significantly over budget. Comparing the composition of expenses in this category from 2003 to 2004, the expenses attributable to private management fees and compensated absences increased considerably and represent the largest contribution to the category's growth in expenditure.

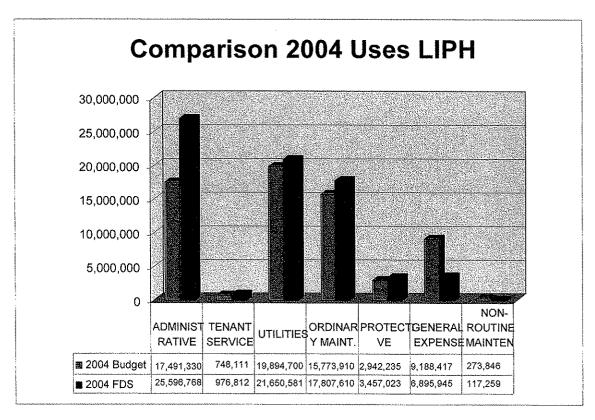
Overspending in maintenance is believed to be a function of errors in developing budget value. Corrections in budget model for developing this value have been addressed for FY 2005 budget efforts.

The following table and graphs illustrate the operating results as discussed above.

Comparison Budget vs. Actual – Low Income Public Housing:

	2004 Budget	2004 FDS	Difference	% Var.
OPERATING RECEIPTS:				
RENTAL INCOME	16,802,550	17,831,762	1,029,212	6.13%
HUD CONTRIBUTION	49,296,811	43,223,299	(6,073,512)	-12.32%
OTHER INCOME	1,750,000	9,164,629	7,414,629	423.69%
TOTAL OPERATING RECEIPTS	67,849,361	70,219,690	(2,370,329)	3,49%
	S. CETA	5.0		
OPERATING EXPENSES:	15.00 20.00 20.00			
ADMINISTRATIVE EXPENSES	17,491,333	25,596,768	8,105,435	46.34%
TENANT SERVICES	748,111	976,812	228,701	30.57%
UTILITIES	19,894,701	21,650,581	1,255,880	8.83%
ORDINARY MAINT & OPERATION	15,773,916	17,807,619	2,033,703	12.89%
PROTECTIVE SERVICES	2,942,235	3,457,023	514,788	17.50%
GENERAL EXPENSES*	9,188,417	6,895,945	(2,292,472)	-24.95%
NON-ROUTINE MAINTENANCE	273,846	117,259	(156,587)	-57.18%
TOTAL OPERATING EXPENSES	66,312,559	76,502,007	10,189,448	15.37%
MRESIDUAL REVENUE/(SHORTFALL)	1,536,802	(6,282,317)	(7,819,119)	-508.79%





B. Section Eight Housing Voucher Program

The Section 8 funding requisition submitted to HUD is determined by estimating the total dollars required (i.e., Annual Contributions Required) to administer the program for a fiscal year. Annual Contributions consist of estimates made by the Authority for Housing Assistance Payments (HAP), audit cost, hard-to-house fees, and administrative fees. Generally, earned administrative fees provide support of the program's operating expenses. A balanced budget is achieved when earned administrative fees are no less than the total operating expenses.

Comparison Budget vs. Actual – Section 8:

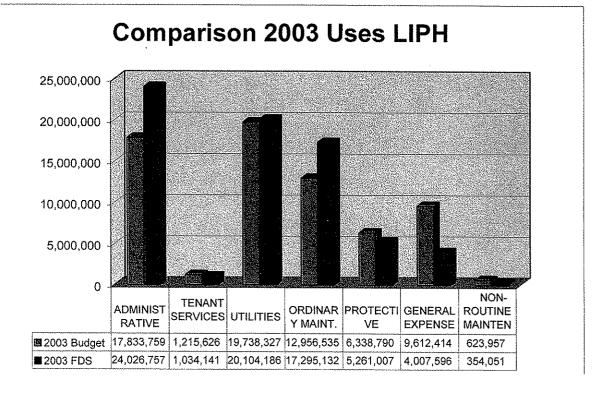
	2004 Budget	2004 FDS	Difference	% Var
Operating Receipts				
Fraud Recoveries	0	. 0	0	
HCVP Income	10,343,396	29,832,966	19,489,570	188,43%
Other Income – Other	180,000	50,567	(129,433)	100.00%
HAP (In)	138,153,701	113,953,544	(24,200,157)	-17.52%
Total Operating Receipts	148,677,097	143,837,077	(4,840,020)	-3.26%
Operating Expenses				
Administrative Salaries	7,805,959	8,357,378	551,419	7.06%
Tenant Services Utilities				
Ordinary Maint. & Operations	175,440	214,571	39,131	22,30%
Protective Services				
General Expenses	2,204,180	496,016	(1,708,164)	-77.50%
Non-Routine Maint				
HAP (Out)	138,153,701	113,953,544	(24,200,157)	-17.52%
Total Operating Expenditures	148,339,280	123,021,508	(25,317,772)	-17.07%
Total Surplus / Deficit	337,817	20,815,569	20,477,752	

The Section 8 operation in 2004 operated with lower expenses than proposed in the Section 8 Budget.

For FY2004 DCHA forecast a small surplus for Section 8, having budgeted for receipt of Administration Fees in the value of \$10,343,396. The budgeted operating expenses funded by these Administration Fees were \$10,185,579, indicating a planned operating surplus of \$337,817.

Due to the MTW funding formula DCHA received approximately \$20 million in excess of its actual program expenditures which is entirely consistent with the terms of its MTW Agreement which allows HAP funding irrespective of lease-up by Section 8 in 2004 displayed receipt of \$29,832,966 in other income including Administration Fees. Expenses supported by the Administration Fees totaled \$9,067,965, leaving a operating surplus of \$20,765,001. This large surplus from administrative operations, caused by a non-recurring adjustment of MTW funds for previous years, together with the contribution of Other Income and Interest Earned produced a total surplus of \$20,815,569 for the year.

On general consideration, the Program performed better than Budget expectations.



6. Capital Programs

A. Method of Funding

Capital Grants

HUD determines the annual amount of money authorized for use by the Capital Fund Program (CFP) by a formula that apportions total HUD Capital Fund appropriations to every PHA based on variables related to size, physical condition of housing units and infrastructure, resident population, geographic location, etc. Replacement Housing Factor (RHF) is another type of grant that is provided under the auspices of the Capital Fund Program. RHF is a specific grant that authorizes funds to the Authority for the sole purpose of constructing or acquiring housing units to replace units that have been demolished as part of a revitalization project. Like the money authorized by the Capital Fund formula, the amount of RHF money provided to the Authority is based on calculated replacement costs, determined by HUD.

Capital Fund Grants, Replacement Housing Funds:

Year (Category	Budget	Obligated	Expended	Available	% Obligd	% Expd.
2000	CFP	24,881,806	24,881,806	24,960,477	(78,671)	100%	100.32%
2000	RHF	1,960,471	1,960,471	1,960,471	_	100%	100.00%
2001	CFP	24,632,051	24,632,051	23,644,151	987,900	100%	95.99%
2001	RHF	2,964,943	2,964,943	79,088	2,885,855	100%	2.67%
2002	CFP	21,098,829	21,098,829	20,915,268	183,561	100%	99.13%
2002	RHF	3,444,637	3,444,637	119,348	3,325,289	100%	3.46%
2003	CFP	20,076,387	20,076,387	14,137,292	5,939,095	100%	70.42%
2003	RHF	3,036,209	3,036,209	3,152,836	(116,627) 0%	103.84%
	Totals	102,095,333	102,095,333	88,968,931	13,126,402	100%	87.14%

HOPE VI

HOPE VI is a HUD program that specifically supports the revitalization of severely distressed public housing developments. The amount of funding awarded by HUD is determined by the Authority submitting a detailed development plan that outlines the total costs of the project. If HUD approves the plan, a HOPE VI grant is then awarded for the cost of development.

Because PHA's are allowed to spend their capital grants typically over a three-year period, the receipt and expenditure of capital funds bears little similarity to the actual annual authorization of these funds through the capital grant process.

The following Tables detail the current "inventory" of Capital Fund (CFP), Replacement Housing Factor (RHF), and HOPE VI grants for DCHA. Each table displays the amount of money authorized for use under each grant, the amount of

the authorization that has been obligated to be spent by the Authority, and the amount actually been expended to date (September 30, 2004).

HOPE VI Funds:

Year Site	Budget	Obligated	Expended	Available	% Obligd	% Expd.
1993	25,075,956	25,075,956	25,075,956	•	100%	100.00%
1999	1,288,707	1,288,707	1,288,707	-	100%	100.00%
1999Highland Dem		732,000	712,121	•	100%	97.28%
1999Henson Ridge		23,000,000	B45400000000000000000000000000000000000	, ,	200500000000000000000000000000000000000	74.53%
2000E. Capital	30,867,337	12,500,000	ELECTRONIC CONTROL OF THE CONTROL OF	• •		39.41%
2001 Arthur Cappe	r 34,937,590	8,000,000	7,624,563	27,313,027	23%	21.92%
Totals	122,874,021	70,596,663	69,203,844	53,670,177	57%	56.32%

B. Revenues and Expenses

In 2004, the Authority expended \$7,899,158 in operating costs to the Capital Grants Fund category to support eligible program activities. The Capital Grants Fund category also received \$18,493,261 to support all of the actual physical construction work completed in the year.

This revenue is not generated by a single source for the year, but rather the \$26,392,419 in stated revenue for 2004 Capital Grants Fund Category is that amount expended from monies drawn from the entire inventory of CFP and RHF grants open and available to DCHA in the period.

The HOPE VI program operates in largely the same manner. The authority expended \$5,079,349 in operating costs to support the HOPE VI revitalization program. The \$10,890,114 in stated revenue for 2004 is that exact amount expended from monies drawn from the available grant funds for the HOPE VI program to reimburse the Authority for the costs associated with eligible expenses created during this time period.

State and Local development programs also operate in this way. The authority expended \$261,511 in operating costs to support the expenditure of an additional \$3,109,790 in eligible capital work.

The total of these programs "hard" costs is equal to the \$32,493,165 stated as Capital Grants revenue within the reference table on page 8

7. Possible Future Impacts of Which Management is Aware

 The Moving to Work demonstration program is continuing, which will provide DCHA greater flexibility in delivering its main operating programs: Public Housing, Section 8 (Housing Choice Voucher Program), and Capital Fund.

 FY2006 funding appears somewhat uncertain and there is some reason to believe the funding for Low Income and Section 8 will decline. It is in fact likely, that Section 8 funding will decline significantly which will cause DCHA to serve less households in that program. If there are funding reductions and if operating deficits result, this will be funded by DCHA's healthy reserves.

DISTRICT OF COLUMBIA HOUSING AUTHORITY STATEMENT OF NET ASSETS September 30, 2004

ASSETS

ASSEIS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 33,665,866
Accounts receivable - HUD	31,381,864
Accounts receivable – other gov	
	511,922
Accounts receivable – miscellaneous	5,891,332
Tenants receivable, net of allowance of \$510,686	4,416,844
Prepaid expenses	2,180,763
Inventory (net)	
an ones, (not)	559,575
Total current assets	78,608,166
NON CYINDYNYD I GODDO	Application of the second seco
NON-CURRENT ASSETS	
Capital assets, net	344,338,562
Notes and mortgages receivable	14,483,904
Total non-current assets	<u>358,822,466</u>
TOTAL ASSETS	
TOTAL ASSETS	<u>\$ 437,430,632</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 17,442,453
Accrued payroll and taxes	1,377,193
Accrued compensated absences	
Accounts payable – HUD	549,684
	7,581,435
Tenant security deposits	339,283
Deferred revenue	3,710,235
Other current liabilities	6,831,130
Current portion of long-term debt	7,373,094
Total current liabilities	45,204,507
NON-CURRENT LIABILITIES	
Accrued compensated absences – non-current	2 725 (12
Long-term debt, net of current portion	2,735,612
Long-term deat, her of eartern portion	<u>2,506,250</u>
Total non-current liabilities	5,241,862
	3,241,002
Total liabilities	50,446,369
NET ASSETS	
Unrestricted	52,525,046
Invested capital assets (net)	
mi and and im and the	334,459,218
Total net assets	386,984,264
TOTAL LIABILITIES AND NET ASSETS	\$ 437,430,632
	M. I. L. I. V. V. V. E.

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

DISTRICT OF COLUMBIA HOUSING AUTHORITY STATEMENT OF REVENUES, EXPENSES, AND NET ASSETS Year Ended September 30, 2004

OPERATING REVENUES	
Tenant revenue	\$ 17,831,762
HUD operating grants	195,714,288
Other government grants	2,309,912
Other revenue	11,451,512
Total operating revenue	227,307,474
OPERATING EXPENSES	
Administrative	41,864,813
Tenant services	4,878,645
Utilities	21,650,581
Ordinary maintenance/operations	18,676,153
Protective services	7,534,064
General expenses	8,222,021
Extraordinary maintenance	117,259
Housing assistance payments	113,953,544
Total operating expenses	216,897,080
Operating income before depreciation	10,410,394
Depreciation	22,031,993
Operating loss	(11,621,599)
NON-OPERATING REVENUE (EXPENSE)	
Interest income	449,649
Gain on sale of assets	1,206,780
LOSS BEFORE CAPITAL CONTRIBUTIONS	(9,965,170)
Capital contributions	32,493,165
CHANGE IN NET ASSETS	22,527,995
TOTAL NET ASSETS, BEGINNING OF YEAR, AS RESTATED	364,456,269
TOTAL NET ASSETS, END OF YEAR	<u>\$386,984,264</u>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

DISTRICT OF COLUMBIA HOUSING AUTHORITY STATEMENT OF CASH FLOWS Year Ended September 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants and grantors	\$ 201,345,287
Cash paid to suppliers and employees	(206,139,357)
Net cash flows used in operating activities	(4,794,070)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(22 (11 011)
Repayments of long-term borrowings	(22,611,911) (6,813,913)
Capital contributions	32,493,165
Gain on sale of assets	(1,206,780)
Gain on saic of assets	(1,200,780)
Net cash flows used in capital and related financing activities	1,860,561
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	449,649
inclest received	449,049
NET DECREASE IN CASH	(2,483,860)
	,
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	36,149,726
CASH AND CASH EOUIVALENTS, END OF YEAR	\$ 33,665,866
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 33,665,866</u>
CASH AND CASH EQUIVALENTS, END OF YEAR RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED	<u>\$ 33,665,866</u>
	\$ 33,665,866
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED	\$ 33,665,866 \$ (11,621,599)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES Operating income (loss) Reconciliation of operating income to net cash provided by operating activities: Depreciation	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES Operating income (loss) Reconciliation of operating income to net cash provided by operating activities: Depreciation Effect of changes in operating assets and liabilities:	\$ (11,621,599)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES Operating income (loss) Reconciliation of operating income to net cash provided by operating activities: Depreciation Effect of changes in operating assets and liabilities: Accounts receivable – HUD	\$ (11,621,599)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES Operating income (loss) Reconciliation of operating income to net cash provided by operating activities: Depreciation Effect of changes in operating assets and liabilities: Accounts receivable – HUD Accounts receivable – other	\$ (11,621,599) 22,031,993 (18,278,416) (3,465,294)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES Operating income (loss) Reconciliation of operating income to net cash provided by operating activities: Depreciation Effect of changes in operating assets and liabilities: Accounts receivable – HUD Accounts receivable – other Accounts receivable – tenants	\$ (11,621,599) 22,031,993 (18,278,416) (3,465,294) (3,713,907)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES Operating income (loss) Reconciliation of operating income to net cash provided by operating activities: Depreciation Effect of changes in operating assets and liabilities: Accounts receivable – HUD Accounts receivable – other Accounts receivable – tenants Prepaid expenses	\$ (11,621,599) 22,031,993 (18,278,416) (3,465,294) (3,713,907) 2,582,046
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES Operating income (loss) Reconciliation of operating income to net cash provided by operating activities: Depreciation Effect of changes in operating assets and liabilities: Accounts receivable — HUD Accounts receivable — other Accounts receivable — tenants Prepaid expenses Inventory	\$ (11,621,599) 22,031,993 (18,278,416) (3,465,294) (3,713,907) 2,582,046 60,150
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES Operating income (loss) Reconciliation of operating income to net cash provided by operating activities: Depreciation Effect of changes in operating assets and liabilities: Accounts receivable — HUD Accounts receivable — other Accounts receivable — tenants Prepaid expenses Inventory Accounts payable	\$ (11,621,599) 22,031,993 (18,278,416) (3,465,294) (3,713,907) 2,582,046 60,150 340,421
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES Operating income (loss) Reconciliation of operating income to net cash provided by operating activities: Depreciation Effect of changes in operating assets and liabilities: Accounts receivable — HUD Accounts receivable — other Accounts receivable — tenants Prepaid expenses Inventory Accounts payable Accrued expenses	\$ (11,621,599) 22,031,993 (18,278,416) (3,465,294) (3,713,907) 2,582,046 60,150 340,421 463,705
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES Operating income (loss) Reconciliation of operating income to net cash provided by operating activities: Depreciation Effect of changes in operating assets and liabilities: Accounts receivable — HUD Accounts receivable — other Accounts receivable — tenants Prepaid expenses Inventory Accounts payable Accrued expenses Accounts payable — HUD	\$ (11,621,599) 22,031,993 (18,278,416) (3,465,294) (3,713,907) 2,582,046 60,150 340,421 463,705 7,126,693
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES Operating income (loss) Reconciliation of operating income to net cash provided by operating activities: Depreciation Effect of changes in operating assets and liabilities: Accounts receivable — HUD Accounts receivable — other Accounts receivable — tenants Prepaid expenses Inventory Accounts payable Accrued expenses Accounts payable — HUD Tenants security deposits	\$ (11,621,599) 22,031,993 (18,278,416) (3,465,294) (3,713,907) 2,582,046 60,150 340,421 463,705 7,126,693 (39,998)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES Operating income (loss) Reconciliation of operating income to net cash provided by operating activities: Depreciation Effect of changes in operating assets and liabilities: Accounts receivable – HUD Accounts receivable – other Accounts receivable – tenants Prepaid expenses Inventory Accounts payable Accrued expenses Accounts payable – HUD Tenants security deposits Other current liabilities	\$ (11,621,599) 22,031,993 (18,278,416) (3,465,294) (3,713,907) 2,582,046 60,150 340,421 463,705 7,126,693 (39,998) 1,083,708
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES Operating income (loss) Reconciliation of operating income to net cash provided by operating activities: Depreciation Effect of changes in operating assets and liabilities: Accounts receivable — HUD Accounts receivable — other Accounts receivable — tenants Prepaid expenses Inventory Accounts payable Accrued expenses Accounts payable — HUD Tenants security deposits	\$ (11,621,599) 22,031,993 (18,278,416) (3,465,294) (3,713,907) 2,582,046 60,150 340,421 463,705 7,126,693 (39,998)

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

DISTRICT OF COLUMBIA HOUSING AUTHORITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES September 30, 2004

The District of Columbia Housing Authority ("the Authority") was established for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the low-income housing program under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make grants to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing program. The governing body of the Authority consists of a nine member Board of Commissioners appointed by the Mayor of the District of Columbia and the Central Labor Council and elected by public housing residents.

REPORTING ENTITY

As required by accounting principles generally accepted in the United States of America, the basic financial statements of the reporting entity include those of the District of Columbia Housing Authority and any component units. Component units are separate legal entities in which elected officials of a primary government are financially accountable for the entity or the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the basic financial statements misleading or incomplete. Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. As such, included in the Business Activities Enterprise Fund is the blended presentation of the Authority's three component units.

There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity as a component unit on the basis of such criteria. A summary of each program administered by the Authority included in the financial statements is provided to assist the reader in interpreting the basic financial statements. These programs constitute a majority of the programs operated by the Authority.

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The Authority has created a number of funds within each enterprise fund. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The funds of the Authority are all considered Proprietary Fund Types. The Authority's proprietary funds are Enterprise Funds used to account for activities that are operated in a manner similar to those found in the private sector.

DISTRICT OF COLUMBIA HOUSING AUTHORITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES September 30, 2004

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (CONTINUED)

The funds included in this category are as follows:

- PHA Owned Housing Fund This Fund accounts for all activities and projects of the Public Housing Program (described previously) including Low Income Public Housing, Comprehensive Grant, Capital Fund, Hope VI, Hope I, Development, State and Local, Resident Opportunity and Supportive Services, Drug Elimination Grants and other HUD programs. The Authority either sets up separate funds within the PHA Owned Housing Fund for each program or assigns a particular set of general ledger accounts in order to account for income and expenses of each program separately. All sub-accounts or funds are combined to produce the financial statements of the Public Housing Enterprise Fund.
- Section 8 Fund This fund accounts for all of the activities of the Section 8 programs. Currently the Authority maintains Section 8 Rental Voucher, New Construction/Substantial Rehabilitation, Moderate Rehabilitation and Moderate Rehabilitation Single Room Occupancy Programs.
- Business Activities Fund This fund accounts predominately for the financial activities of the Authority's component units which consist principally of construction management services rendered to governmental agencies as well as administering various home ownership programs.

All proprietary funds are accounted for using the economic resources measurement focus combined with the accrual basis for accounting. The flow of economic resources refers to all of the assets available to the Authority for the purpose of providing goods and services to the public and as such, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In applying the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds, the Authority applies all GASB pronouncements and all Financial Accounting Standards Board pronouncements, Accounting Principle Board Opinions, and Accounting Research Bulletins that do not conflict with or contradict GASB Pronouncements.

There are no fiduciary funds nor component units that are fiduciary in nature included in these financial statements.

DESCRIPTIONS OF PROGRAMS

Low-Rent Housing Program

This program provides low-rent housing to qualified residents of the District of Columbia. All units are owned and operated by the Authority and were purchased with financing arranged or provided through HUD. The operations of the program are funded by HUD through Annual Contribution Contract W-76.

DESCRIPTIONS OF PROGRAMS (CONTINUED)

Section 8 Programs

The Section 8 programs include New Construction, Substantial Rehabilitation, Moderate Rehabilitation and Housing Voucher Programs. These programs were authorized by Section 8 of the National Housing Act and provide housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

New Construction and Substantial Rehabilitation Programs

The Section 8 New Construction and Substantial Rehabilitation programs allow for construction to purchase and rehabilitation of low-income housing units to be subsidized for a contracted period of time. Both for profit and not-for-profit developers may provide low-income housing under this program. Developers must obtain their own financing and HUD subsidizes rents once the units are occupied.

Moderate Rehabilitation Program

This program provides for the rehabilitation of housing units, which then must be rented to low-income individuals for a contracted period of time. Both for profit and not-for-profit developers may participate in this program. Under this program, developers must obtain their own rehabilitation financing and then HUD subsidizes rents once the units are occupied in such amounts sufficient to cover the developers debt service payments on the financing.

Housing Voucher Program

The Section 8 Housing Voucher program also allows for existing housing units to be used for low-income housing. HUD provides a contracted number of vouchers to the Authority which can be used to provide rental payments to landlords for a specified number of housing units. This program is similar to the Existing Housing Program except that, with a housing voucher, the tenant will be able to decide the amount of income he or she will spend on rent since the subsidy amount is based upon a fixed standard rather than on the rent of the unit selected by the tenant.

Section 8 Administrative Fees

The Authority earns a fee for administering the annual contributions from HUD. This fund accounts for the revenues and expenses associated with providing administrative services.

Capital Fund Program

The purpose of the Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

DESCRIPTIONS OF PROGRAMS (CONTINUED)

Hope VI Program

This program is intended to foster innovative and comprehensive approaches to the problems of severely distressed public housing developments and their residents, including new ways for the Authority and HUD to work together in collaboration with its residents. The program is to address the condition of people in public housing developments, with an emphasis on community and supportive services that have the broadest possible effect in meeting the social and economic needs of the residents and the surrounding community.

Upon completion of individual Hope VI projects, the Authority will transfer the assets and equity of the project into the Low Rent Public Housing program for those projects that are owned or designated as a component unit of the Authority. For individual Hope VI projects whereby the Authority was used in effect as an administrator of Hope VI funds and as such has no ownership of the Hope VI project or the Hope VI entity does not qualify as a component unit, then upon successful completion of the project, the related asset and equity are transferred from the Authority to the owning entity.

BUDGETS AND BUDGETING ACCOUNTING

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

CASH AND CASH EQUIVALENTS

Cash equivalents consist principally of demand deposits, certificates of deposit and repurchase agreements. They are stated at cost, which approximates market value. All funds on deposit are federal treasury accounts or are fully collateralized in accordance with requirements of the U.S. Department of Housing and Urban development and mature in three months or less.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Authority has established an allowance for doubtful accounts in accordance with generally accepted accounting principles requirements. At September 30, 2004, the allowance for doubtful accounts was \$510,686.

INVESTMENTS

Statutes authorize the Authority to invest in obligations of the U.S. Treasury, repurchase agreements, certificates of deposit, and certain other investments allowed by HUD. Investments are valued at market which approximates their cost. At September 30, 2004, investments consist of cash and cash equivalents which are invested in various short term interest bearing instruments. It is the Authority's policy that all funds on deposit are collateralized in accordance with HUD requirements.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Authority's financial instruments at September 30, 2004 including cash, investments, accounts receivable, accounts payable and long-term debt closely approximates fair value.

INVENTORIES

Inventories are valued at cost using the first-in, first-out (FIFO) method. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. The Authority relies upon its periodic (annual) inventory for financial reporting purposes. In accordance with consumption methods, inventory is expensed when items are actually placed in service.

CAPITAL ASSETS

All purchased capital assets are valued at cost when historical records are available. When no historical records are available, capital assets are valued at estimated historical cost. Donated capital assets are recorded at their fair value at the time they are received. All normal expenditures of preparing an asset for use are capitalized.

Pursuant to generally accepted accounting principles, the cost of buildings and equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method. Depreciation commences on modernization and development additions in the year placed in service. The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings40 yearsBuilding modernizations15 yearsEquipment5 years

CAPITAL ASSETS (CONTINUED)

The Authority has been and is currently involved in various demolition activities in conjunction with its modernization and development programs. In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of," the Authority has at September 30, 2004 considered the impact of the demolition activities.

Under the provisions of the statement, long-lived assets are to be reviewed for impairment. If the sum of the expected future cash flows is less than the carrying value amount of the asset, an impairment loss should be recognized. No impairment loss is required to be recorded in the current year.

INTER-PROGRAM RECEIVABLES AND PAYABLES

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net to zero.

COMPENSATED ABSENCES

Employees earn annual leave at rates ranging from 13 days per year for the first three years of service up to a maximum of 26 days per year after 15 years of service. Annual leave up to 240 hours can accumulate and carry over from one year to the next. Upon termination or death, accumulated annual leave is paid in a lump sum.

GRANTS

The Authority receives reimbursement from various grantors for the cost of sponsored projects, including administrative costs. Grant revenues are recognized in the period in which the associated costs are incurred.

CAPITAL CONTRIBUTIONS

Capital contributions are grants awarded by HUD under various capital development and improvement programs including HOPE VI and Capital Funds Project. Grants under these programs are based on budgeted capital project costs. Interest incurred during the construction phase is included as part of the capitalized amount of construction in process or capitalized costs.

RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles and amounts disclosed in note 2(n), for the current year or the three prior years.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements in conformity with financial statements generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues end expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 1 - CASH AND CASH EQUIVALENTS

Deposits

Cash demand deposits held at Industrial Bank, Wachovia Bank, and Bank of America in excess of federal insurance limits are fully collateralized with U.S. Government securities held at the Federal Reserve Bank in the Authority's name.

Investments

The Authority's investments are categorized into the following categories of credit risk:

- 1. Insured or registered, or securities held by the Authority, the Trust, or their agent (bank trust department) in the Authority's or the Trust's name.
- 2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's or the Trust's name.
- 3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Authority's or the Trust's name.

(N/A) Certain amounts are not categorized

Investments at September 30, 2004 are as follows:

	Risk Category	2004
Repurchase agreements	1	\$28,636,659

NOTE 2 – NOTES RECEIVABLE

The Authority advances loans to third-party developers in conjunction with multi-lender mixed financing arrangements for new construction. These loans are evidenced by promissory notes. The source of the loans are from various programs including the HOPE VI, State & Local, and Development. The loans are established for a HUD approved amount and funds are drawn by the developers as approved by the Authority. The terms of these promissory notes vary with repayment due 40 years from the date of issue.

In addition, the Authority has two additional notes receivables related to equity in a home that was sold to a family under the Home Ownership Program. The notes will become due and payable to the Authority upon a sale or other conveyance of the property.

NOTE 2 – NOTES RECEIVABLE (CONTINUED)

The notes outstanding as of September 30, 2004 are as follows:

	Originated	Maturity	Interest Rate	A	uthorized Amount	Waterski	Principal Balance 9/30/04	-	nterest eceivable	-	Total Note Receivable
Wheeler Creek Limited Partnership	1999	11/29/2039	0.25%	\$	3,640,000	\$	3,640,000	\$	44,004	\$	3,684,004
FDS Residential I Limited Partnership	2002	10/23/2042	0.50%		7,502,017		7,096,874		72,657		7,169,531
East Capitol Senior Rental Limited Partnership	2003	3/1/2046	2.33%		3,228,629		3,228,629		4,740		3,233,369
*1429 Newton Street N.W.	2004	n/a	n/a		n/a		188,000		n/a		188,000
1428 Newton Street N.W.	2004	n/a	n/a		n/a		209,000	******	n/a	****	209,000
Total *This note is forgiven in increme	ents after 5 years	of occupancy				\$_	14,362,503	<u>\$</u>	121,401	<u>\$</u>	14,483,904

NOTE 3 – CAPITAL ASSETS

	Balance as Restated 9/30/03	Additions	Disposals	Transfers	Balance 9/30/04
Land	\$ 18,170,977	\$ -	\$ -	\$ -	\$ 18,170,977
Structures	462,682,990	•	•••	-	462,682,990
Equipment – dwelling	6,250,326	•	<u></u>	-	6,250,326
Equipment - administrative	18,872,218	2,928,134	(1,132,155)	-	20,668,197
Infrastructure	10,337,272	-	-	***	10,337,272
Construction-in-progress	<u>83,796,634</u>	<u>29,037,747</u>	(2,578,687)	(13,076,062)	97,179,632
	600,110,417	31,965,881	(3,710,842)	(13,076,062)	615,289,394
Less: accumulated					
depreciation	250,031,925	22,031,993	1,113,086	###	(270,950,832)
Total	\$350,078,492	<u>\$ 9,933,888</u>	<u>\$ (2,597,756)</u>	<u>\$ (13,076,062)</u>	<u>\$344,338,562</u>

The transfers during the year represent reclassification of payments made on loans receivable made for construction in progress.

NOTE 4 - COMPENSATED ABSENCES

The Authority uses the vesting method for the recording of compensated absences whereas benefits are accrued at the balance sheet date for which payment is probable. As of September 30, 2004, the Authority had accrued \$3,285,296 in compensated absences of which \$549,684 is estimated to be due currently.

NOTE 5 - DEFERRED REVENUES

Deferred revenues consist of HUD operating subsidies and Community Development Block Grants received in advance, and deposits on business type activities received by the Authority's component units or affiliate entities.

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following at September 30, 2004:

Loan payable to a bank in semi-annual installments of \$878,041 including interest at 5.06%. The loan matures on November 9, 2006 and is secured by futures capital fund grant monies.

\$ 4,086,691

Loan payable to a bank in semi-annual installments of \$3,019,798 including interest at 7.15%. The loan matures on July 1, 2005 and is secured by future capital fund grant monies.

5,792,693

Total long-term debt Less: Current portion

9,879,344 7,373,094

Long-term debt excluding current portion

<u>\$ 2,506,250</u>

Future maturities of long-term debt are as follows:

2005 2006

\$ 7,373,094 2,506,250

Total

\$ 9,879,344

Interest expense of approximately \$1,000,000 for the year ended September 30, 2004 was capitalized as part of construction costs.

NOTE 7 - PENSION PLAN

The Authority provides two defined contribution pension plans through approved outside fiduciaries for eligible full time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The first plan, the Civil Service plan, exists for those employees who were with the DCHA prior to October 1, 1987 or were prior federal employees. Employees under this plan have been fully vested since October 1, 1987. The plan is administered by the Civil Service Administration.

NOTE 7 - PENSION PLAN (CONTINUED)

The second plan, the District plan, exists for individuals who have become employees with the DCHA after September 30, 1987. Employees under this plan are eligible for coverage after one year of employment. An employee becomes fully vested after five years of creditable service in covered employment or when disabled or dies. Annual contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Authority's current period contribution requirement.

The Authority contributed an amount equal to 8.5% of covered employees payroll to the civil service plan and approximately 5% of the covered employees payroll to the district plan. Total contributions by DCHA to these plans was \$2,107,683 for the year ended September 30, 2004.

NOTE 8 - ECONOMIC DEPENDENCY

The PHA owned Housing Program and Section 8 Program is economically dependent on annual contributions and grants from HUD. The low-income program operates at a loss prior to receiving contributions and grants.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

In January 2002, the Authority entered into a Memorandum of Agreement with the District of Columbia Department of Human Services to provide construction management services for the construction of its new Youth Service Center, group homes and the renovation of several facilities. The estimated amount of this agreement is forty- two million dollars (\$42,000,000).

Revenue from construction contracts is recognized on the percentage of completion method, measured by the percentage of cost incurred to date to estimated total cost for each contract.

Contract costs include all direct material, labor and certain indirect costs related to contract performance. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

The Authority is a defendant in various legal claims arising in the ordinary course of business, which includes employee and tenant discrimination claims, torts, and contract disputes. The Authority plans to vigorously defend these claims and has recorded an accrual of \$946,000 for its estimate of the settlement of these claims. After discussions with its legal counsel, the Authority believes that it has adequate legal defenses and that the results of the litigation will not have a material effect on the financial statements.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Authority is subject to numerous laws and regulations. HUD, as well as other internal and external auditors, conduct inquiries and/or investigations regarding the compliance by the Authority and its programs with such laws and regulations. Management believes that there may be findings that result from these inquiries and/or investigations. However, the significance of such findings on the Authority cannot be determined.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

The beginning balance of net assets has been restated to reflect adjustments for various corrections. Corrections related to property and related depreciation, investment accounts, loans payable, and the recording of certain expenses.

The prior period adjustment results in a change to the beginning net asset balance as follows:

Balance, beginning of year, as previously reported \$ 351,822,213
Prior period adjustments, net 12,634,056

Balance, beginning of year, as restated

\$ 364,456,269

SUPPLEMENTAL INFORMATION

Lo	w Rent Public Housing			Section 8 Mod Rehab DC001MR0001		Section 8 Mod Rehab DC001MR0003			tion 8 Mod Rehab 01MR0005	Section 8 Mod Rehab DC001MR0006	
\$	1,181,671	\$	- -	\$	6,141	\$	92,383	\$	254,992	\$	~
	- 339,756		•		-		•		•		-
	1,521,427			*	6,141		92,383		254,992		*
		***************************************			3,5.1.1					-	
	•		* ,		-		107,517		762,821		-
	-		· -		-		3,666		33,106		*
	4,096,448		-		-				-		-
	4,927,530		*		-		-		-		-
	(510,686)		*		*		*		*	***************************************	
	8,513,292	***************************************					111,183		795,927		<u>~</u>
	1,983,399		w.		_		_		_		_
	559,575				-		-		-		*
			-		*		*		-		-
	24,396,554				-		•		-		-
				***************************************			-		-		
•	36,974,247		*	***************************************	6,141		203,566		1,050,919		-
	10 150 055										
	18,170,977 462,242,142				-		•		-		-
	5,862,228		-				-		-		-
	19,845,159		-				-		_		_
	(270,681,083)		*		-		-	-	-		-
	2,353,194		587,937		-		-		-		
	10,337,272		-				-				*
	248,129,889		587,937		•		-		-		*
	-		3,684,004	<u> </u>					-		*
	248,129,889	·····	4,271,941		<u> </u>	***************************************	-		~		
\$	285,104,136	\$	4,271,941	\$	6,141	\$	203,566	\$	1,050,919	\$	_

Resident Opportunity and Supportive Services					· State/Local		er Federal ogram 1	Total			
\$	-	\$	818,619	\$	4,448,199	\$	2,172,920	\$	hn	\$	33,210,439
			115,671		-		-		•		115,671
								***************************************			339,756
***************************************	~		934,290	***************************************	4,448,199		2,172,920		*		33,665,866
	_		15,026,049		5,463,773		_		_		27,905,537
	••				3,438,262		-		_		3,476,328
			•		-		287,383		~		511,922
	-		-		=		,				5,891,332
	-		-		-		₩				4,927,530
***************************************	-						*		*		(510,686)
	*		15,026,049		8,902,035	www	287,383		w		42,201,963
	W-		•		-		-		_		2,180,763
	-		•				-		-		559,575
	•				-		-		-		-
	-		2,251,636		4,957,267		100,410		49,969		32,688,745
		***************************************	10 211 075	***************************************	10 207 501						
	-	***************************************	18,211,975	***************************************	18,307,501	**********	2,560,713	***************************************	49,969		111,296,912
	~		-		÷		•		•		18,170,977
	-				m		-		-		462,682,990
	-		388,098		~		-		-		6,250,326
	-		714,938				-		-		20,668,197
	-		(108,951)		22.042.515		-		-		(270,950,833)
	-		-		33,043,512		13,572,357		-		97,179,633
	-		994,085		33,043,512	***************************************	13,572,357				10,337,272 344,338,562
			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		55,015,512		الدائي الديا		-		344,336,302
	_	***	-		*		3,233,369		m4		14,483,904
	-		994,085		33,043,512		16,805,726		-		358,822,466
\$	*	\$	19,206,060	\$	51,351,013	\$	19,366,439	\$	49,969	\$	470,119,378

Low Rent Public Housing		Developme		ction 8 Mod Rehab 001MR0001	F	on 8 Mod Rehab 01MR000	I	on 8 Mod Rehab 1MR0005	R	n 8 Mod ehab 1MR000
\$	5,403,805	\$	- \$		\$	_	\$	-	\$	J
	1,052,694		-	-		-		*		-
	303,957		-	-		-		-		-
	946,600		-	-		-		-		-
	•		•			-		-		-
	-	•	-	23,828		*		<u>-</u>		-
	~ ~		*			-		· -		-
	339,756	4.4	-	-		-		•		**
	-	44,	,004	-		-		•		•
	3,391,525		-	-		-		-		*
	3,391,323		-	-				-		
	458,244	3,640,	000 '	_				_		
	11,896,581	3,684,		23,828		-			Name	
	- 2,735,612					-		-		- -
	2,735,612		-	-		•		-		-
***********	14,632,193	3,684,004	4.00	23,828		-				
	-		-			-		•		*
		***	- -		***************************************			*	***************************************	
	-			-		•		*		*
	248,129,889	587	,937			-		**		•
	-		-	·				-		-
	22,342,054		-	(17,687)		203,566		1,050,919		
	270,471,943	587	,937	(17,687)	***************************************	203,566		1,050,919	***********************	-
\$	285,104,136	\$ 4,271	941 \$	6,141	\$	203,566	\$	1,050,919	\$	_

Resident Opportunity and Supportive Services		Housing Choice Vouchers				S	State/Local		Other Federal Program 1		Total	
\$	**	\$	34,876	\$	-	\$	113,619	\$	4	\$	17,442,453	
•		,	212,948	-	_		´-	-		-	1,377,193	
			245,727		-		-		~		549,684	
			-		-		-		•		946,600	
	*		-		158,691		-		~		158,691	
			-		4,505,693		-				6,409,836	
	-		-		u		•		**		1,171,599	
	-		-		-		-				339,283	
,	-		-		-		412,260		49,969		3,710,235	
	-		-		7,373,094		-		-		7,373,094	
			215,671		-		-		•		5,198,088	
	-		521,150		~		-		· ~		527,751	
	• -				13,643,117		561,992		_	***************************************	32,688,745	
			1,230,372		25,680,595		1,087,871		49,969		77,893,252	
	•		~		2,506,250		-		•		2,506,250	
			-						*		2,735,612	
			-		2,506,250		~	************	**		5,241,862	
	-		1,230,372		28,186,845		1,087,871		49,969		83,135,114	
	-		-		~		*		•		-	
	-		-		~				**			
	-		994,085		23,164,168		13,572,357				334,459,218	
	-		16,981,603		*		4,706,211				52,525,046	
	-		17,975,688		23,164,168		18,278,568		-		386,984,264	
\$	-	\$	19,206,060	\$	51,351,013	\$	19,366,439	\$	49,969	\$	470,119,378	

	w Rent c Housing	Development		R	n 8 Mod ehab MR0001	I	on 8 Mod Rehab DIMROOO	F	on 8 Mod Rehab HMR0005	Re	n 8 Mod chab I MR000
\$ I	7,337, 8 33 493,929	\$	-	\$	-	\$		\$	-	\$	-
	7,831,762		*								-
	3,223,299		-		408,111		128,457		2,861,548		-
	-		-		· -		•		·		-
	899,000		-		-		-		-		-
	412,049		-		161		33		752		
	63,060		-		-				-		
	8,689,520		-		-		-		-		*
	<u> </u>		-		-	***************************************	**		-		-
7	1,118,690	<u> </u>	-		408,272	***************************************	128,490		2,862,300		•
1	3,529,475		-		37,067		7,524		188,272		*
	338,645		-		200		100		500		-
	1,657,906		-		~		_		•		-
	3,039,569		-		347		70		1,764		-
	2,883,021		-		7,356		1,493		37,362		
	4,148,152		-		7,940		1,612		40,330		-
	493,262		-		-		-		-		-
	•		-		-		-		-		-
	106,648		-		~		-		•		-
	376,902		-		•		-		•		-
	2,149,745		-		***		•		-		-
	6,172,019		-		•		-		-		••
	8,517,748		-		-		•		-		~
	•		-		-		~		-		-
	963,167		-		-		-		-		-
	3,847,902		-		-				-		₩
	9,543,880		-		285		58		1,445		•
	1,541,662		-		279		57		1,419		-
	4,658,600		-		868		176		4,408		-
	2,063,477		-		-		-		*		-
	2,797,834		-		-		•				-
	53,154		-		-		-				-
	604,918		-		~		-		•		-
	1,117		-		•		-		•		-
	2,865,201		-		2004		* 50″		1466		-
	181,408		-		2,884		585		14,651		-
	- 510,686		•		5		1		28		-
			•		20.400		-		(222.110)		*
	3,338,650 -		-		20,489		-		(322,119)		-
									***************************************	***************************************	
	76,384,748		-		77,720		11,676		(31,940)		*
	(5,266,058)		-		330,552		116,814		2,894,240		_

Resident Opportunity and Supportive Services			g Choice		ng Capital Program	S1	ate/Local		r Federal gram 1	Total		
ď		a n		æ		ø.		r.		Ф	17 227 022	
\$	-	\$	-	\$	-	\$	~	\$	-	\$	17,337,833 493,929	
					-		-				17,831,762	
	_	131	7,647,946		7,899,158		261,511		-		195,714,288	
		11	7,047,240		18,493,261		3,109,790				32,493,165	
	-		_		10,422,201		1,403,731		7,181		2,309,912	
	_		22,629		_		4,740		7,101		449,649	
			LL,()L)		-		-1,7-10		-		63,060	
			24,019		-		-		_		11,451,512	
							*		*		1,143,720	
		11	7,694,594		26,392,419		4,779,772		7,181		261,457,068	
	-		4,941,735		2,523,010		-		•		23,197,195	
	-		9,000		-		-		~		401,290	
	-		-		-		-		-		1,657,906	
	-		48,566		-		•		~		3,096,873	
	-		995,164		864,755		-				5,128,294	
	-		1,019,933		410,766		1,682,766		7,181		8,383,254	
	•		•		0.477		-		-		791,010	
	-		-		9,477		~		-		650,570	
	42,869		-		-		415,906		-		186,562 3,250,503	
	42,009		•		-		413,900		-		2,149,745	
	-		-		_		_		_		6,172,019	
	_		_		_				_		8,517,748	
	_				-		-		*		0,517,740	
			-		-				_		963,167	
	-				-		-		_		3,847,902	
	•		33,796		23,273		-				9,755,445	
			33,195		36,636		-		-		1,639,042	
	-		111,552		52,399		~		-		5,157,596	
	-		-		-		-		-		2,124,070	
	-		-		3,266,065		93,229		-		6,157,778	
	N-		-		583,376		-		**		636,530	
	-		-		129,401		4,320		-		738,639	
	-		-		-		-		-		1,117	
	-				-		~		-		2,865,201	
	-		422,536		-		-		*		742,959	
	-		759		•		-		*		1,121	
	-		-		- (((0,0,0,42)		-				510,686	
	-		1,219,331		(112,746)		172,211		-		4,058,029	
	-		-				<u> </u>		-	-,,	44,025	
	42,869	***************************************	8,835,567		7,786,412		2,368,432		7,181		102,826,276	
	(42,869)	1	08,859,027		18,606,007		2,411,340		·····		158,630,792	

	Rent Public	D	evelopment	1	ion 8 Mod Rehab 01MR0001		ion 8 Mod Rehab 01MR000	tion 8 Mod Rehab 001MR0005	Ŧ	on 8 Mod Rehab 01MR000
\$	76,384,748	\$		\$	77,720	\$	11,676	\$ (31,940)	\$	
	117,259 - 21,824,262		-		349,408		116,477	 2,564,071 -		- - -
	98,326,269				427,128	<u> </u>	128,153	 2,532,131		
<u> </u>	- -				-			 	Marcal and American Confession of the Confession	<u>.</u>
\$	(27,207,579)	<u>\$</u>		<u>\$</u>	(18,856)	\$	337	\$ 330,169	\$	
	256,858,116 40,821,406 - -		4,227,937 (3,640,000.00) - -		1,169		203,229 - - - -	220,330 500,420		500,420 (500,420) -
	- - - -		• • • • • • • • • • • • • • • • • • •		- - - 281,365		- - - 26,555	1,563,643		- - -
	- - - 110,976 88,152				1,726,761 - 768 655		1,364,357 - 156 156	2,023,507 - 3,900 3,900		- - 3,924 3,924

Oppoi Suj			ousing Choice Vouchers	Housing Capital Fund Program			tate/Local		Federal gram 1	Total		
\$	42,869	\$	8,835,567	\$	7,786,412	_\$_	2,368,432	_\$	7,181		102,826,276	
	-		93,829,099 97,941				*-	·	-		117,259 113,953,544 22,031,993	
***************************************	42,869		102,762,607	***************************************	7,786,412		2,368,432		7,181		238,929,072	
					- -		-		-		-	
			-						-		<u>-</u>	
\$	(42,869)	\$	14,931,987	_\$_	18,606,007	_\$	2,411,340	\$	_	\$	22,527,995	
	<u>-</u>		-		- -		- -				- -	
	-		3,043,700		19,878,411		18,867,228		-		351,822,213	
	42,869		-		(15,320,250)		(3,000,000)		-		12,634,056	
			-		•		-		-		-	
	-		-		-		-		-		-	
	-		-		-		-		-		-	
	-		-		-		-		-		-	
	-				-		-		_			
	-		98,123,843		~		-		-		•	
	=		24.702.607		**		~		-		•	
	-		24,782,687		*		-		-		=	
	-		128,737		•		2,100		-		-	
	-		128,737		-		1,572		-		-	
	•		120,131		-		1,012		-		-	

SINGLE AUDIT REPORT



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards

Board of Commissioners of the The District of Columbia Housing Authority Washington, D.C.

We have audited the basic financial statements of the District of Columbia Housing Authority (Authority) as of and for the year ended September 30, 2004, and have issued our report thereon dated June 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-01 through 2004-04.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2004-01 through 2004-04.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Authority in a separate letter dated June 17, 2005.

This report is intended solely for the information and use of the Members of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Baltimore, Maryland

Clifton Genderson LLP

June 17, 2005



Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program, Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

Board of Commissioners of the The District of Columbia Housing Authority Washington, D.C.

Compliance

We have audited the compliance of the District of Columbia Housing Authority (Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2004. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2004-01 through 2004-04.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Authority's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-01 through 2004-04.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness.

In addition to the reportable conditions described above, we noted certain matters involving internal control and its operation that we reported to the management of the Authority in a separate letter dated June 17, 2005.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the District of Columbia Housing Authority (the Authority) as of and for the year ended September 30, 2004, and have issued our report thereon dated June 17, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Baltimore, Maryland June 17, 2005

DISTRICT OF COLUMBIA HOUSING AUTHORITY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended September 30, 2004

Federal Grantor / Program Title	CFDA Number	Federal Expenditures FY 2004
U.S. Department of Housing and Urban Development (HUD)		
Public and Indian Housing		
Operating Subsidy	14.850	\$ 43,223,299
Capital Fund	14.872	26,392,419
Section 8 Housing Choice Vouchers	14.871	117,647,946
Section 8 Moderate Rehab Program	14.856	7,351,736
N/C S/R Section 8 Programs	14.182	12,933,994
Section 8 Moderate Rehabilitation SRO	14.249	1,317,295
Revitalization of Severely Distressed Public Housing	14.866	15,969,463
Community Development Block Grant	14.218	3,371,301
Total		\$228,207,453

DISTRICT OF COLUMBIA HOUSING AUTHORITY NOTES TO SCHEDULE OF FEDERAL AWARDS Year Ended September 30, 2004

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the District of Columbia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 – NON-CASH FEDERAL ASSISTANCE

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2004.

NOTE 3 – LOAN GUARANTEES

At year ended September 30, 2004 the Authority is not the guarantor of any loans outstanding other than those disclosed in the basic financial statements.

NOTE 4 - FINDINGS AND QUESTIONED COSTS

The findings and questioned costs identified in connection with the 2004 Single Audit are disclosed in Schedule I, and the status of the prior year findings and questioned costs are disclosed in Schedule II.

DISTRICT OF COLUMBIA HOUSING AUTHORITY SCHEDULE OF FINDINGS AND QUESTIONED COSTS September 30, 2004

I. **Summary of Auditor's Results**

Financial	Statement	Section

1.	1. Type of auditor's report issued:			
2.	. Internal control over financial reporting:			
	a. Material weakness(es) identified?	No		
	b. Were reportable conditions identified not considered to be material weaknesses?	Yes		
3.	Noncompliance material to the financial statements?	No		
Federal Awards Section				
¥.	1. Dollar threshold used to determine Type A Programs \$3,000,000			
2.	2. Dollar threshold used to determine Type B Programs			
3.	3. Auditee qualified as low-risk auditee?			
4.	Type of auditor's report on compliance for major risk programs Unqualifie			
5.	Internal control over compliance:			
	a. Material weakness(es) identified?	No		
	b. Were reportable conditions identified not considered to be material weaknesses?	Yes		
	c. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))?	Yes		
6.	Identification of major programs:			

CFDA Number	Name of Federal Program	
14.850	Public Housing Operating Subsidy	\$ 43,223,299
14.871	Section 8 Housing Choice Voucher Program	117,647,946
14.872	Capital Fund Program	26,392,419
14.866	Revitalization of Severely Distressed Public Housing	15,969,463

DISTRICT OF COLUMBIA HOUSING AUTHORITY SCHEDULE OF FINDINGS AND QUESTIONED COSTS September 30, 2004

II. Financial Statement Findings

Questioned Costs

Reference: 2004-01

Condition: An examination of 30 LOCCS draws for both the Hope VI and capital fund program revealed that 16 draws lacked the following required HUD documentation related to cash management:

 16 draws were not fully expended within 5 days after receipt from HUD based on the wire date

In addition, as a result of a misinterpretation of the Moving to Work Demonstration agreements by both HUD and the Authority, subsequently resolved with HUD, funds were overdrawn, resulting in a HUD required return of \$8 million dollars. Based on our review of HUD documentation, this return of funds related to the draws and not the allowability of expenditures. The Authority subsequently took corrective actions to ensure LOCCS draws were made in accordance with the terms of the agreement.

Criteria: HUD regulations require that the Housing Authority either request grant funds after expenditures have been made, or take steps to minimize the time between the receipt of funds and their expenditure.

Recommendation: We recommend that management take appropriate measures to ensure that grant funds have been expended before requesting reimbursement from HUD, or that grant funds will be expended shortly after the draw from HUD.

Response: The Authority returned the funds requested and the issue has been resolved with respect to the use of funds drawn.

Reference: 2004-02

Condition: An examination of 15 tenant files selected from the move-in report for the Housing Choice Vouchers Program revealed that 6 files lacked the following required HUD documentation:

- 3 files did not contain a participant application, or the information on the application did not agree to the waiting list
- 3 files did not contain documentation that the tenant was properly selected from the waiting list

Criteria: HUD regulations require that the Housing Authority have a written administrative plan for selecting applicants from the waiting list and document that these policies are followed when selecting applicants.

DISTRICT OF COLUMBIA HOUSING AUTHORITY SCHEDULE OF FINDINGS AND QUESTIONED COSTS September 30, 2004

Questioned Costs

Recommendation: We recommend that management take appropriate measures to ensure that Housing Authority personnel maintain proper written documentation in tenant files regarding their selection from the waiting list.

Response: The HCVP concurs with the findings that 3 of 15 files did not contain a participant application, or information on the application did not agree to the waiting list, and that 3 of the 15 files did not contain documentation that the tenant was properly selected from the wait list.

The HCVP acknowledges that for this period of time in question there was a problem in this area. The HCVP receives the participant application and all other eligibility documents from another DCHA department in the form of a temporary eligibility file. Those records are then transferred to a HCVP file and processed for issuance of a voucher and for possible lease up. The HCVP contributes this finding to our contractor, TCBA who was responsible for ensuring proper transfer of the eligibility and permanent records to a HCVP participant file. However, many of these records were accidentally purged from the records and boxed in error. The HCVP now has possession of these records and will ensure that the records are properly filed in the appropriate locations.

Reference: 2004-03

Condition: An examination of 15 tenant files selected from the failed inspection report \$ for the Housing Choice Vouchers Program revealed that 1 files lacked the following required HUD documentation:

2,000

- 1 file did not have documentation showing correction of the deficiency(ies) within the required period
- 1 file contained documentation showing that a housing inspector recommended termination of payments in 5/04 following an owner's failure to correct deficiencies within the required period, but HAP payments continued until 7/05.
- 1 file did not contain documentation showing that proper action was taken against tenants for failing to correct deficiencies within the required period

Criteria: HUD regulations require that the Housing Authority inspect tenant units on an annual basis for compliance with housing quality standards. Any deficiencies that are not properly corrected have the possibility of creating life-threatening situations for the tenants.

Recommendation: We recommend that management take appropriate measures to ensure that Housing Authority personnel follow up with failed inspections and take the required actions against owners and tenants.

DISTRICT OF COLUMBIA HOUSING AUTHORITY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS September 30, 2004

III. Prior Year Findings

Reference: 2003-01

Condition: An examination of 25 Section 8 Moderate Rehabilitation tenant files revealed that 4 files lacked various documents as required by HUD as follows:

- 3 files did not contain a current form 50058
- 2 files did not contain a date of birth
- 3 files did not contain a social security card
- 1 file did not contain a current inspection form
- 1 file did not contain a calculated annual income
- 2 files did not contain a calculation of assets
- 2 files did not contain a calculation of allowable deductions
- 2 files did not contain a recalculation of tenant rent

Status: The internal audit office of the Authority reviewed and reported that this documentation was corrected as part of their internal reporting function. This finding is cleared and there are no findings related to that issue in the current year.

Reference: 2003-02

Condition: An examination of the Low Rent Public Housing and Section 8 Housing Choice Voucher program waiting lists revealed the following:

• The waiting lists are perpetually maintained and difficult to determine whether the applicant chosen for admission was at the top of the waiting list.

Status: The Low Rent Public Housing Program did not have any related current year findings. Our testing of the Section 8 Housing Choice Voucher program during the current fiscal year showed that this problem still exists. See finding 2004-05 for more details.

Reference: 2003-03

Condition: The Authority maintains a "positive pay" system with their local bank whereby checks drawn on Authority accounts are matched with an electronic check register from the Authority prior to being paid. At the end of each month, the bank provides a list of all unpaid and paid checks. However, due to problems with the Authority accounting system, reconciliations of the "positive pay" system to the Authority general ledger were not done on a timely basis.

Status:

This finding is cleared and there are no findings related to this issue in the current year.